

TJX COMPANIES INC /DE/  
Form DEF 14A  
April 27, 2012  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**The TJX Companies, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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**Table of Contents**

770 Cochituate Road  
Framingham, Massachusetts 01701

April 27, 2012

Dear Stockholder:

We cordially invite you to attend our 2012 Annual Meeting on Wednesday, June 13, 2012, at 11:00 a.m. (local time), to be held at our offices, 770 Cochituate Road, Framingham, Massachusetts. Please enter through the Northeast Entrance.

The proxy statement accompanying this letter describes the business we will consider at the meeting. Your vote is important regardless of the number of shares you own. Please read the proxy statement and vote your shares. Instructions for Internet and telephone voting are attached to your proxy card. If you prefer, you can vote by mail by completing and signing your proxy card and returning it in the enclosed envelope.

We hope that you will be able to join us on June 13th.

Sincerely,

Bernard Cammarata  
*Chairman of the Board*

Carol Meyrowitz  
*Chief Executive Officer*

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**Table of Contents**

**Table of Contents**

**PROXY STATEMENT**

**PROPOSAL 1 ELECTION OF DIRECTORS**

**CORPORATE GOVERNANCE**

**Board Independence**

**Board Nominees and Service**

**Board Committees and Meetings**

**Board Leadership Structure and Role in Risk Oversight**

**Codes of Conduct and Ethics and Other Policies**

**Communications with the Board**

**Transactions with Related Persons**

**Audit Committee Report**

**Beneficial Ownership**

**Section 16(a) Beneficial Ownership Reporting Compliance**

**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

**Compensation Committee Report**

**Summary Compensation Table**

**Grants of Plan-Based Awards in Fiscal 2012**

**Outstanding Equity Awards at Fiscal 2012 Year End**

**Option Exercises and Stock Awards Vested during Fiscal 2012**

**Pension Benefits**

**Nonqualified Deferred Compensation Plans**

**Potential Payments upon Termination or Change of Control**

**DIRECTORS COMPENSATION**

**PROPOSAL 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**PROPOSAL 3 APPROVAL OF MATERIAL TERMS OF EXECUTIVE OFFICER PERFORMANCE GOALS UNDER CASH INCENTIVE PLANS**

**PROPOSAL 4 ADVISORY APPROVAL OF EXECUTIVE COMPENSATION**

**VOTING REQUIREMENTS AND PROXIES**

**STOCKHOLDER PROPOSALS AND DIRECTOR NOMINATIONS**

**OTHER MATTERS**

Table of Contents

**The TJX Companies, Inc.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**June 13, 2012**

The Annual Meeting of Stockholders of The TJX Companies, Inc. will be held at our offices, 770 Cochituate Road, Framingham, Massachusetts, on Wednesday, June 13, 2012, at 11:00 a.m. (local time) to vote on:

Election of directors

Ratification of appointment of independent registered public accounting firm

Approval of the material terms of executive officer performance goals under our cash incentive plans

Advisory approval of TJX's executive compensation (the "say-on-pay vote")

Any other business properly brought before the meeting

Stockholders of record at the close of business on April 16, 2012 are entitled to notice of, and entitled to vote at, the Annual Meeting and any adjournments or postponements thereof.

To attend the Annual Meeting, you must demonstrate that you were a TJX stockholder at the close of business on April 16, 2012 or hold a valid proxy for the Annual Meeting from such a stockholder. If you are not a stockholder of record but hold shares through a broker, trustee or nominee, you will need to bring proof of your beneficial ownership as of April 16, 2012, such as a brokerage account statement showing your ownership on that date or similar evidence of ownership. All stockholders will need to check in upon arrival and receive visitor badges for building security. Please allow additional time for these procedures.

By Order of the Board of Directors

Ann McCauley

*Secretary*

Framingham, Massachusetts

April 27, 2012

**PLEASE VOTE ON THE INTERNET, BY TELEPHONE OR BY MAIL**

**Table of Contents**

**The TJX Companies, Inc.**

**ANNUAL MEETING OF STOCKHOLDERS**

**June 13, 2012**

**PROXY STATEMENT**

The Board of Directors of The TJX Companies, Inc., or TJX, is soliciting your proxy for the 2012 Annual Meeting. A majority of the shares outstanding and entitled to vote at the meeting is required for a quorum for the meeting.

You may vote on the Internet, using the procedures and instructions described on the proxy card and other enclosures. You may vote by telephone using the toll-free telephone number on the proxy card. The process for Internet and telephone voting includes easy-to-follow instructions and is designed to authenticate your identity and permit you to confirm that your voting instructions are accurately reflected. Street name holders (who hold their shares through a third party, like a bank or broker) may vote by Internet or telephone if their banks or brokers make those methods available, in which case the banks or brokers will enclose the relevant instructions with the proxy statement. All stockholders of record may vote by signing and returning the enclosed proxy card.

You may revoke your proxy at any time before it is voted at the annual meeting by voting later by telephone or Internet, returning a later-dated proxy card, or delivering a written revocation to the Secretary of TJX. Our address is 770 Cochituate Road, Framingham, Massachusetts 01701.

Stockholders of record at the close of business on April 16, 2012 are entitled to vote at the meeting. Each of the 741,678,724 shares of common stock outstanding on the record date is entitled to one vote.

This proxy statement, the proxy card and the Annual Report to Stockholders for our fiscal year ended January 28, 2012 (fiscal 2012) are being first mailed to stockholders on or about the date of the notice of meeting, April 27, 2012.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting To Be Held on June 13, 2012: This proxy statement and Annual Report and Form 10-K for fiscal 2012 are available at <http://bnymellon.mobular.net/bnymellon/tjx>**



**Table of Contents**

**PROPOSAL 1**

**ELECTION OF DIRECTORS**

We seek nominees who have established strong professional reputations, sophistication and experience in the retail and consumer industries. We also seek nominees with experience in substantive areas that are important to our business such as international operations and growth; marketing and brand management; sales, buying and distribution; accounting, finance and capital structure; strategic planning and leadership of complex organizations; human resources and development practices; and strategy and innovation. Our nominees hold or have held senior executive positions in large, complex organizations or in businesses related to important substantive areas, and in these positions have also gained experience in core management skills and substantive areas relevant to our business. Our nominees also have experience working with or serving on boards of directors and board committees of other public companies, and each of our nominees has an understanding of corporate governance practices and trends. In addition, most of our nominees have significant prior service on our Board, which has provided them with significant exposure to both our business and the industry in which we compete. We believe that all our nominees possess the professional and personal qualifications necessary for board service, and we have highlighted particularly noteworthy attributes for each director in the individual biographies below.

The individuals listed below have been nominated and are standing for election at this year's Annual Meeting. If elected, they will hold office until our 2013 Annual Meeting of Stockholders and until their successors are duly elected and qualified. Other than Mr. Abdalla, who was elected by the Board in January 2012, all of our current directors were elected to the Board by our stockholders.

**Your Board of Directors unanimously recommends that you vote FOR the election of each of the nominees as director.**

**Zein Abdalla, 53**

Director since 2012

Mr. Abdalla has been CEO of PepsiCo Europe, a division of PepsiCo, Inc., a leading global food, snack and beverage company, since November 2009, prior to which he served as President, PepsiCo Europe Region starting in January 2006. Mr. Abdalla previously held a variety of senior positions at PepsiCo since he joined that company in 1995, including as General Manager of PepsiCo's European Beverage Business, General Manager of Tropicana Europe and Franchise Vice President for Pakistan and the Gulf region. Mr. Abdalla's executive experience with a large global company has given him expertise in corporate management, including in emerging markets, operations, brand management, distribution and global strategy.

**José B. Alvarez, 49**

Director since 2007

Mr. Alvarez has been a member of the faculty of the Harvard Business School since 2009. From August 2008 through December 2008, Mr. Alvarez was the Global Executive Vice President for Business Development for Ahold, a global supermarket retail company. From 2001 to August 2008, he held various executive positions with Stop & Shop/Giant-Landover, Ahold's U.S. subsidiary, including President and Chief Executive Officer of Stop & Shop/Giant-Landover from 2006 to 2008 and Executive Vice President, Supply Chain and Logistics from 2004 to 2006. Previously, he served in executive positions at Shaw's Supermarkets, Inc. and began his career at the Jewel Food Stores subsidiary of American Stores Company in 1990. Mr. Alvarez is also a director of United Rentals, Inc. and Church & Dwight Co., Inc. Mr. Alvarez's long career in retail has given him broad experience in large retail chain management, including store management, supply chain, logistics, distribution and strategy.

**Alan M. Bennett, 61**

Director since 2007

Mr. Bennett served as the Chief Executive Officer of H&R Block Inc., a tax services provider, from July 2010 to May 2011 and was previously Interim Chief Executive Officer from November 2007 through August 2008. He



**Table of Contents**

was Senior Vice President and Chief Financial Officer and a Member of the Office of the Chairman of Aetna, Inc., a diversified healthcare benefits company, from 2001 to 2007, and previously held other senior financial management positions at Aetna after joining in 1995. Mr. Bennett held various senior management roles in finance and sales/marketing at Pirelli Armstrong Tire Corporation, formerly Armstrong Rubber Company, from 1981 to 1995 and began his career with Ernst & Ernst (now Ernst & Young LLP). Mr. Bennett is also a director of Halliburton Company and Fluor Corporation and was a director of H&R Block from 2008 to 2011 and Bausch & Lomb, Inc. from 2004 to 2007. Mr. Bennett's senior leadership roles in two significant financial businesses provide him with executive experience in managing very large businesses and change management as well as financial expertise including financial management, taxes, accounting, controls, finance and financial reporting.

**Bernard Cammarata, 72**

Director since 1989

Mr. Cammarata has been Chairman of the Board of TJX since 1999. Mr. Cammarata served as Acting Chief Executive Officer of TJX from September 2005 to January 2007. He also led TJX and its former TJX subsidiary and T.J. Maxx Division from the organization of the business in 1976 until 2000, including serving as Chief Executive Officer and President of TJX, Chairman and President of TJX's T.J. Maxx Division and Chairman of The Marmaxx Group (Marmaxx). As the founder of TJX, Mr. Cammarata has participated in the leadership of TJX's successful strategy and development from the beginning to its current position as the world's largest off-price retailer and offers deep expertise in all aspects of TJX's business, including management, operations, marketing, buying, distribution and financial matters.

**David T. Ching, 59**

Director since 2007

Mr. Ching has been Senior Vice President and Chief Information Officer for Safeway Inc., a food and drug retailer, since 1994. Previously, Mr. Ching was the General Manager for British American Consulting Group, a software and consulting firm focusing on the distribution and retail industry. He also worked for Lucky Stores Inc., a subsidiary of American Stores Company from 1979 to 1993, including serving as the Senior Vice President of Information Systems. Mr. Ching was a director of Petco Animal Supplies, Inc. from 2005 to 2007. Mr. Ching's strong technological experience and related management positions in the retail industry provide Mr. Ching expertise including information systems, information security and controls, technology implementation and operation, reporting and distribution in the retail industry.

**Michael F. Hines, 56**

Director since 2007

Mr. Hines served as Executive Vice President and Chief Financial Officer of Dick's Sporting Goods, Inc., a sporting goods retailer, from 1995 to March 2007. From 1990 to 1995, he held management positions with Staples, Inc., an office products retailer, most recently as Vice President, Finance. Mr. Hines spent 12 years in public accounting, the last eight years with the accounting firm Deloitte & Touche LLP. Mr. Hines is also a director of GNC Holdings, Inc. and Dunkin' Brands Group, Inc. and was a director of The Yankee Candle Company, Inc. from 2003 to 2007. Mr. Hines' experience as a financial executive and certified public accountant provides him with expertise in the retail industry including accounting, controls, financial reporting, tax, finance, risk management and financial management.

**Amy B. Lane, 59**

Director since 2005

Ms. Lane was a Managing Director and Group Leader of the Global Retailing Investment Banking Group at Merrill Lynch & Co., Inc., from 1997 until her retirement in 2002. Ms. Lane previously served as a Managing Director at Salomon Brothers, Inc., where she founded and led the retail industry investment banking unit.

## **Table of Contents**

Ms. Lane is a director of GNC Holdings, Inc. and was also a director of Borders Group, Inc. from 1995 to 1999 and from 2001 to 2009. Ms. Lane's experience as the leader of two investment banking practices covering the global retailing industry has given her substantial experience with financial services, capital markets, finance and accounting, capital structure, acquisitions and divestitures in that industry as well as management, leadership and strategy.

### **Carol Meyrowitz, 58**

Director since 2006

Ms. Meyrowitz has been Chief Executive Officer of TJX since January 2007, a director since September 2006 and also served as President from October 2005 to January 2011. She served as Senior Executive Vice President of TJX from 2004 until January 2005, Executive Vice President of TJX from 2001 to 2004 and President of Marmaxx from 2001 to January 2005. From January 2005 until October 2005, she was employed in an advisory role for TJX and consulted for Berkshire Partners LLC, a private equity firm. From 1987 to 2001, she held various senior management positions with Marmaxx and with Chadwick's of Boston and Hit or Miss, former divisions of TJX. Ms. Meyrowitz is also a director of Amscan Holdings, Inc. and Staples, Inc. and was a director of The Yankee Candle Company, Inc. from 2004 to 2007. As Chief Executive Officer of the Company, and through the many other positions Ms. Meyrowitz has held with TJX since joining in 1987, Ms. Meyrowitz has a deep understanding of TJX and broad experience in all aspects of off-price retail, including innovation, strategy, buying, distribution, marketing, real estate, finance and accounting, and international operations.

### **John F. O'Brien, 69**

Director since 1996

Mr. O'Brien is the retired Chief Executive Officer and President of Allmerica Financial Corporation (now The Hanover Insurance Group, Inc.), an insurance and diversified financial services company, holding those positions from 1995 to 2002. Mr. O'Brien previously held executive positions at Fidelity Investments, an asset management firm, including Group Managing Director of FMR Corporation, Chairman of Institutional Services Company and Chairman of Brokerage Services, Inc. Mr. O'Brien serves as our Lead Director. Mr. O'Brien is also non-executive Chairman and a director of Cabot Corporation, a director of LKQ Corporation and a director of a family of 35 registered investment companies managed by BlackRock, Inc., an investment management advisory firm. Mr. O'Brien has substantial executive experience with two financial services businesses, giving him expertise including general management and oversight with respect to strategy, financial planning, insurance, operations, finance and capital structure.

### **Willow B. Shire, 64**

Director since 1995

Ms. Shire has been an executive consultant with Orchard Consulting Group since 1994, specializing in leadership development and strategic problem solving. Previously, she was Chairperson for the Computer Systems Public Policy Project within the National Academy of Science. She also held various positions at Digital Equipment Corporation, a computer hardware manufacturer, for 18 years, including Vice President and Officer, Health Industries Business Unit. Ms. Shire was a director of Vitesse Semiconductor Corporation from 2007 to 2009. Through her consulting experience and prior business experience, Ms. Shire brings expertise in leadership development, talent assessment, change management, human resources and development practices, cultural assessment and strategic problem solving.

## **Table of Contents**

### **CORPORATE GOVERNANCE**

Integrity has been a core tenet of TJX since its inception. We seek to perform with the highest standards of ethical conduct and in compliance with all laws and regulations that relate to our businesses. We have Corporate Governance Principles, a Global Code of Conduct for our Associates, a Code of Ethics for TJX Executives, written charters for each of our Board committees and a Director Code of Business Conduct and Ethics. The current versions of these documents and other items relating to our governance can be found at [www.tjx.com](http://www.tjx.com).

#### **Board Independence**

*Independence Determination.* Our Corporate Governance Principles provide that at least two-thirds of the members of our Board will be independent directors. The Board evaluates any relationships of each director and nominee with TJX and makes an affirmative determination whether or not each director and nominee is independent. To assist it in making its independence determination, the Board has adopted categorical standards, which are available in our Corporate Governance Principles on our website at [www.tjx.com](http://www.tjx.com).

As part of the Board's annual review of director independence, the Board considered the recommendation of our Corporate Governance Committee and reviewed any transactions and relationships between each non-management director or any member of his or her immediate family and TJX. The purpose of this review was to determine whether there were any such relationships or transactions and if so, whether they were inconsistent with a determination that the director was independent.

As a result of this review, our Board unanimously determined that eight directors of our 10-member Board (80%) are independent: Zein Abdalla, José B. Alvarez, Alan M. Bennett, David T. Ching, Michael F. Hines, Amy B. Lane, John F. O'Brien and Willow B. Shire. The same determination was made previously with respect to David A. Brandon and Fletcher H. Wiley, who each served on the Board until June 2011. Each of these directors met our categorical standards of independence. Bernard Cammarata, as Chairman, and Carol Meyrowitz, as Chief Executive Officer, are employed by TJX.

#### **Board Nominees and Service**

*Board Nominations.* The Corporate Governance Committee recommends to the Board individuals as director nominees who, in the opinion of the Corporate Governance Committee, have high personal and professional integrity, who have demonstrated ability, perspective and judgment and who will be effective, in conjunction with the other nominees to and members of the Board, in collectively serving the long-term best interests of our stockholders. In evaluating the suitability of individual Board nominees, the Corporate Governance Committee takes into account many factors, including general understanding of disciplines relevant to the success of a large publicly traded company in today's business environment, understanding of our business and industry, professional background and leadership experience, experience on the boards of other large publicly traded companies, personal accomplishment, independence and geographic, gender, age, ethnic and racial diversity. The Corporate Governance Committee evaluates each individual in the context of the Board as a whole, with the objective of recommending a group that can best perpetuate the success of our business and represent stockholder interests through the exercise of sound judgment using its diversity of experience. In addition, the Corporate Governance Committee considers, in light of our business, each director nominee's experience, qualifications, attributes and skills that are identified in the biographical information contained under Election of Directors.

The Corporate Governance Committee's process for identifying and evaluating candidates, including candidates recommended by stockholders, includes actively seeking to identify qualified individuals by various means which may include reviewing lists of possible candidates, such as chief executive officers of public companies or leaders of finance or other industries; considering proposals from sources, such as the Board of Directors, management, Associates, stockholders and industry contacts; and engaging a third-party search firm to expand our search and assist in compiling information about possible candidates. During fiscal 2012, Mr. Abdalla was recommended to the Corporate Governance Committee by a third-party search firm.

## **Table of Contents**

The Corporate Governance Committee has a policy with respect to submission by stockholders of candidates for director nominees which is available on our website at [www.tjx.com](http://www.tjx.com). Any stockholder may submit in writing one candidate for consideration for each stockholder meeting at which directors are to be elected by not later than the 120th calendar day before the first anniversary of the date that we released our proxy statement to stockholders in connection with the previous year's annual meeting. Recommendations should be sent to the Secretary of TJX, c/o Office of the Secretary of The TJX Companies, Inc., 770 Cochituate Road, Framingham, Massachusetts 01701. A recommendation must include specified information about, and consents and agreements of, the candidate, as described in the policy. The Corporate Governance Committee evaluates candidates for the position of director recommended by stockholders or others in the same manner as candidates from other sources. The Corporate Governance Committee will determine whether to interview any candidates and may seek additional information about candidates from third-party sources.

*Board Expertise and Diversity.* We seek to have a Board that represents diversity as to experience, gender and ethnicity/race, but we do not have a formal policy with respect to diversity. We also seek to have a Board that reflects a range of talents, ages, skills, viewpoints, professional experience, educational background and expertise to provide sound and prudent guidance with respect to our operations and interests. All of our directors are financially literate, and two members of our Audit Committee are audit committee financial experts.

*Majority Voting.* Our by-laws provide for the election of directors in an uncontested election by a majority of the shares properly cast at the meeting. Our Corporate Governance Principles, available at [www.tjx.com](http://www.tjx.com), require any nominee for director to provide an irrevocable contingent resignation at or prior to election, effective only if such director fails to receive the requisite majority vote in an uncontested election, and the Board accepts such resignation. Our Corporate Governance Principles provide procedures for the consideration of such resignation by the Board. Within 90 days of the date of the annual meeting of stockholders, the Board, with the recommendation of the Corporate Governance Committee, will act upon such resignation. In making its decision, the Board will consider the best interests of TJX and its stockholders, and take what it deems to be appropriate action. Such action may include accepting or rejecting the resignation or taking further measures to address those concerns that were the basis for the underlying stockholder vote.

*Policies Relating to Board Service.* It is our policy that no director shall be nominated who has attained the age of 75 prior to or on the date of his or her election. Under our Corporate Governance Principles, directors who are CEOs of public companies should not serve on more than two boards of public companies besides their own and no director should serve on more than five boards of public companies. Under our Audit Committee Charter, members of the Audit Committee should not serve on more than two audit committees of other companies. When a director's principal occupation or business association changes during his or her tenure as a director, our Corporate Governance Principles provide that the director is required to tender his or her resignation from the Board, and the Corporate Governance Committee will recommend to the Board any action to be taken with respect to the resignation.

## **Board Committees and Meetings**

*Board Attendance.* During fiscal 2012, our Board met 10 times. Each of our directors attended at least 75% of all meetings of the Board and committees of which he or she was then a member. At each regularly scheduled Board meeting, the independent directors met separately. It is our policy, included in our Corporate Governance Principles, that all nominees and directors standing for election are expected to attend the annual meeting of stockholders. All nine of our nominees and directors who were then serving on our Board attended the 2011 Annual Meeting.

The Board of Directors has five standing committees: Audit, Corporate Governance, Executive, Executive Compensation and Finance. Each committee's charter is available on our website at [www.tjx.com](http://www.tjx.com).

All members of the Audit, Corporate Governance, Executive Compensation and Finance Committees are independent directors. While each committee has designated responsibilities, the committees act on behalf of the entire Board. The committees regularly report on their activities to the entire Board.

**Table of Contents**

The table below provides information about membership and meetings of these committees during fiscal 2012:

Name	Audit	Corporate Governance	Executive	Executive Compensation	Finance
José B. Alvarez	X			X	
Alan M. Bennett		X		X*	X
David A. Brandon**				X*	X
Bernard Cammarata			X*		
David T. Ching	X	X			
Michael F. Hines	X*				X
Amy B. Lane	X		X		X*
Carol Meyrowitz					
John F. O'Brien			X	X	
Willow B. Shire		X*		X	
Fletcher H. Wiley**	X	X			
Number of meetings during fiscal 2012	11	3	0	7	4

\* Chair. Mr. Bennett replaced Mr. Brandon as Chair of the Executive Compensation Committee in June 2011.

\*\* Mr. Brandon and Mr. Wiley did not stand for election in June 2011.

*Audit Committee.* The Audit Committee is responsible for the annual appointment of the independent registered public accounting firm and oversight of the financial reporting process. Each member of the Audit Committee is a non-employee director and meets the independence standards adopted by the Board in compliance with New York Stock Exchange listing standards. The Audit Committee operates under the terms of a written charter which is reviewed by members of the committee annually. Specifically, the Audit Committee's responsibilities include:

reviewing with management, internal auditors and the independent registered public accounting firm our quarterly and annual financial statements, including the accounting principles and procedures applied in their preparation and any changes in accounting policies;

monitoring our system of internal financial controls and accounting practices;

overseeing the internal and external audit process, including the scope and implementation of the annual audit;

overseeing our compliance and ethics programs;

selecting or terminating the independent registered public accounting firm, approving their compensation and evaluating the performance of the independent registered public accounting firm, including the lead audit and reviewing partners;

establishing and maintaining procedures for receipt, retention and treatment of complaints, including the confidential and anonymous submission of complaints by employees, regarding accounting or auditing matters;

pre-approving all work by the independent registered public accounting firm; and

reviewing other matters as the Board deems appropriate.

*Executive Compensation Committee.* The Executive Compensation Committee, or the ECC, is responsible for overseeing executive compensation and benefits. Each member of the ECC is a non-employee director and meets the independence standards adopted by the Board in compliance with New York Stock Exchange listing standards. The ECC operates under the terms of a written charter which is reviewed by the members of the



## **Table of Contents**

committee annually. Pursuant to its charter, the ECC may delegate its authority to a subcommittee or to such other person that the ECC determines is appropriate and is permitted by law. Specifically, the ECC's responsibilities include:

approving the compensation, including awards of stock options, bonuses and other awards and incentives, of our executive officers and other Associates in such categories as are from time to time identified by the ECC;

determining the compensation of the Chief Executive Officer, including awards of stock options, bonuses and other awards and incentives, based on the evaluation by the Corporate Governance Committee of the performance of the Chief Executive Officer and such other factors as the Committee deems relevant;

determining the performance goals and performance criteria under our incentive plans;

approving the terms of employment of our executive officers;

reviewing other matters that the Board or the ECC deems appropriate, such as our succession plan for the CEO and other executive officers; and

overseeing the administration of our incentive plans.

The ECC also reviewed our compensation policies and practices for our Associates to confirm that they do not give rise to risks which are reasonably likely to have a material adverse effect on the Company.

*Corporate Governance Committee.* The Corporate Governance Committee is responsible for recommending nominees for directors to the Board and for our corporate governance practices. Each member of the Corporate Governance Committee is a non-employee director and meets the independence standards adopted by the Board in compliance with New York Stock Exchange listing standards. The Corporate Governance Committee operates under the terms of a written charter which is reviewed by the members of the committee annually. Specifically, the Corporate Governance Committee's responsibilities include:

recommending director nominees to the Board;

developing and reviewing corporate governance principles;

reviewing our policies with respect to corporate public responsibility, including charitable and political contributions and political advocacy;

reviewing practices and policies with respect to directors, including retirement policies, the size of the Board and the meeting frequency of the Board, and reviewing the functions, duties and composition of the committees of the Board and compensation for committee members;

recommending processes for the annual evaluations of the performance of the Board, the Chairman, the Lead Director and each committee and its chair;

establishing performance objectives for the Chief Executive Officer and annually evaluating the performance of the Chief Executive Officer against such objectives; and

overseeing the maintenance and presentation to the Board of management's plans for succession to senior management positions.  
*Executive Committee.* The Executive Committee meets at such times as it determines to be appropriate and has the authority to act for the Board on specified matters during the intervals between meetings of the Board.

*Finance Committee.* The Finance Committee is responsible for reviewing and making recommendations to the Board relating to our financial activities and condition. The Finance Committee operates under the terms of a written charter which is reviewed by the members of the committee annually. Specifically, the Finance Committee's responsibilities include:

reviewing and making recommendations to the Board with respect to our financing plans and strategies, financial condition, capital structure, tax strategies, liabilities and payments, dividends, stock repurchase programs and insurance programs;

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## **Table of Contents**

approving our cash investment policies, foreign exchange risk management policies and capital investment criteria and agreements for borrowing by us and our subsidiaries from banks and other financial institutions; and

reviewing investment policies, performance and actuarial status of our pension and other retirement benefit plans.

### **Board Leadership Structure and Role in Risk Oversight**

*Board Leadership Structure.* Our Board annually elects a Chairman of the Board of Directors. The Board has chosen to separate the roles of Chairman and Chief Executive Officer. Consistent with our Corporate Governance Principles, because our current Chairman, Bernard Cammarata, is not independent, our independent directors have elected a Lead Director, John F. O'Brien. In this role, among other duties, Mr. O'Brien meets at least quarterly with Carol Meyrowitz, our Chief Executive Officer, and with other senior officers as necessary, attends regular management business review meetings, schedules meetings of the independent directors, presides at meetings of the Board at which the Chairman is not present, including meetings of the independent directors, serves as a liaison between the independent directors and the Chairman and Company management, approves meeting schedules and agendas, attends the meetings of each Board committee and undertakes other responsibilities designated by the independent directors. The Board believes that the separate roles of Mr. Cammarata, Ms. Meyrowitz and Mr. O'Brien are in the best interests of TJX and its stockholders. Mr. Cammarata has wide-ranging, in-depth knowledge of our business arising from his many years of service to TJX and, as a result, provides effective leadership for the Board and support for Ms. Meyrowitz and other management. The structure permits Ms. Meyrowitz to devote her attention to leading TJX and focus on the execution of its business strategy. Mr. O'Brien provides independence in TJX's Board leadership as provided in the Corporate Governance Principles through his review and approval of meeting agendas, his participation in management business review meetings and his leadership of the independent directors.

*Board's Role in Risk Oversight.* It is management's responsibility to manage risk and bring to the Board's attention risks that are material to TJX. The Board has oversight responsibility for the systems established to report and monitor the most significant risks applicable to TJX. The Board administers its risk oversight role directly and through its committee structure and the committees' regular reports to the Board at Board meetings. The Board reviews strategic, financial and execution risks and exposures associated with the annual plan and multi-year plans, any major litigation and other matters that may present material risk to the Company's operations, plans, prospects or reputation, acquisitions and divestitures and senior management succession planning and receives regular reports from our Chief Compliance Officer and Director of Enterprise Risk. The Audit Committee reviews risks associated with financial and accounting matters, including financial reporting, accounting, disclosure, internal controls over financial reporting, ethics and compliance programs, compliance with orders and data security. The ECC reviews risks related to executive compensation and the design of compensation programs, plans and arrangements. The Corporate Governance Committee deals with risks related to board and CEO evaluations and management succession. The Finance Committee is responsible for risks related to financing, investment, capital structure, liquidity, and investment performance, asset allocation strategies and funding of our benefit plans.

*Compensation Program Risk Assessment.* As part of our regular enterprise risk assessment process overseen by the Board and described above, we review the risks associated with our compensation plans and arrangements. In fiscal 2012, the ECC reviewed TJX's employee compensation policies and practices and determined that they do not give rise to risks that are reasonably likely to have a material adverse effect on TJX. The ECC's assessment considered (a) what risks could be created or encouraged by our executive and broad-based compensation plans and arrangements worldwide, (b) how those potential risks are monitored, mitigated and managed and (c) whether those potential risks are reasonably likely to have a material adverse effect on TJX. The assessment was led by our Chief Compliance Officer and Director of Enterprise Risk, whose responsibilities include leadership of our enterprise risk management process, and included consultation with and input by, among others, executive officers, senior human resources and financial executives, the ECC's independent compensation consultant and internal and external legal counsel. This process included:

a review of our compensation programs and practices, including our historical compensation practices;

## **Table of Contents**

analysis of programs or program features and practices that could potentially encourage excessive or unreasonable risk-taking of a material nature;

a review of business risks that these program features could potentially encourage;

identification of factors that mitigate risks to the business and incentives for executives to take excessive risk, including, among others, a review of compensation design and elements of the compensation programs, the balance among these program elements, role of compensation consultants and other advisors, authority and discretion of the Board, the ECC and other Board committees in compensation, controls and procedures, program and cultural elements and potential for individual or group influences; and

consideration of the balance of potential risks and rewards related to our compensation programs and its role in implementation of our corporate strategy.

### **Codes of Conduct and Ethics and Other Policies**

*Global Code of Conduct for Associates.* We have a Global Code of Conduct for our Associates designed to ensure that our business is conducted with integrity. Our Global Code of Conduct covers professional conduct, including employment policies, ethical business dealings, conflicts of interest, confidentiality, intellectual property rights and the protection of confidential information, as well as adherence to laws and regulations applicable to the conduct of our business. We have a Code of Conduct helpline to allow Associates to voice their concerns. We also have procedures for Associates to report complaints regarding accounting and auditing matters. Information about the helpline and procedures are available on our website at [www.tjx.com](http://www.tjx.com).

*Code of Ethics for TJX Executives and Director Code of Business Conduct and Ethics.* We have a Code of Ethics for TJX Executives governing our Chairman, Chief Executive Officer, President, Chief Financial Officer and other senior operating, financial and legal executives. The Code of Ethics for TJX Executives is designed to ensure integrity in our financial reports and public disclosures. We also have a Director Code of Business Conduct and Ethics which promotes honest and ethical conduct, compliance with applicable laws, rules and regulations and the avoidance of conflicts of interest. We intend to disclose any future amendments to, or waivers from, the Code of Ethics for TJX Executives or the Director Code of Business Conduct and Ethics within four business days of the waiver or amendment through a website posting or by filing a Current Report on Form 8-K with the Securities and Exchange Commission, or SEC.

*Stock Ownership Guidelines for Directors and Executives.* Our Corporate Governance Principles provide that a director is expected to acquire initially at least \$10,000 of our common stock outright and to attain stock ownership with a fair market value equal to at least five times the annual retainer paid to the directors within five years of initial election to the Board. Our Chief Executive Officer is expected to attain stock ownership with a fair market value equal to at least five times annual base compensation and our President, our Chief Financial Officer and each Senior Executive Vice President is expected to attain stock ownership with a fair market value of at least three times annual base compensation. Such ownership guidelines for our executive officers are reduced by 50% at age 62. Executives are expected to make steady progress toward these ownership guidelines and to attain them within five years from their respective dates of hire as or promotion to the above positions. It is expected that executives who have not yet achieved these guidelines will retain 50% of their shares (on an after-tax basis) resulting from the exercise of stock options and vesting of restricted and deferred stock.

*Board Annual Performance Reviews.* We have a comprehensive review process for evaluating the performance of our Board and our directors. Our Corporate Governance Committee oversees the annual performance evaluation of the entire Board, our Chairman, our Lead Director, each of our committees and its chair, and each of our individual directors.

*Sustainability.* As part of our continued commitment to corporate responsibility, TJX has long pursued solutions to sustainability challenges that are good for the environment as well as the Company's profitability.

## **Table of Contents**

We continue to be committed to environmentally sound business practices throughout our operations, including energy and water conservation as well as recycling and waste reduction. We have discussed our efforts with stockholder groups over the years and understand the importance to our business, stockholders, Associates, customers and communities of strong, sustainable business practices. Our corporate social responsibility report, which highlights efforts we have made in these initiatives, is available on our website at [www.tjx.com](http://www.tjx.com).

*Online Availability of Information.* The current versions of our Corporate Governance Principles, Global Associate Code of Conduct, Code of Ethics for TJX Executives, Director Code of Business Conduct and Ethics, and charters for our Audit, Corporate Governance, Executive, Executive Compensation and Finance Committees are available on our website at [www.tjx.com](http://www.tjx.com).

## **Communications with the Board**

Security holders and other interested parties may communicate directly with the Board, the non-management directors or the independent directors as a group, specified individual directors or the Lead Director by writing to such individual or group c/o Office of the Secretary, The TJX Companies, Inc., 770 Cochituate Road, Framingham, Massachusetts 01701. The Secretary will forward such communications to the relevant group or individual at or prior to the next meeting of the Board. Stockholders and others can communicate complaints regarding accounting, internal accounting controls or auditing matters by writing to the Audit Committee, c/o Vice President, Corporate Internal Audit Director, The TJX Companies, Inc., 770 Cochituate Road, Framingham, Massachusetts 01701.

## **Transactions with Related Persons**

Under the Corporate Governance Committee's charter, the Committee is responsible for reviewing and approving or ratifying any transaction in which TJX and any of our directors, director nominees, executive officers, 5% stockholders and their immediate family members is a participant and in which such person has a direct or indirect material interest as provided under SEC rules. In the course of reviewing potential related person transactions, the Corporate Governance Committee considers the nature of the related person's interest in the transaction; the presence of standard prices, rates or charges or terms otherwise consistent with arms-length dealings with unrelated third parties; the materiality of the transaction to each party; the reasons for TJX entering into the transaction with the related person; the potential effect of the transaction on the status of a director as an independent, outside or disinterested director or committee member; and any other factors the Committee may deem relevant. Our General Counsel's office is primarily responsible for the implementation of processes and procedures for screening potential transactions and providing information to the Corporate Governance Committee.

In April 2012, we acquired two office buildings in Marlborough, Massachusetts intended to be used as part of our corporate headquarters for an aggregate purchase price of approximately \$62.5 million from affiliates of FMR LLC, which, with its related funds, beneficially owns more than 5% of our outstanding stock. We employ Charles Barios, the brother-in-law of our CEO, as a Manager of Technical Services. He received compensation from us consistent with other Associates at his level and with his responsibilities that totaled approximately \$145,436 for fiscal 2012, including salary and incentive compensation, and he participates in company benefit plans generally available to Associates. Our Corporate Governance Committee discussed and approved these transactions, consistent with our review process described above.

## **Audit Committee Report**

We operate in accordance with a written charter adopted by the Board and reviewed annually by the Committee. We are responsible for overseeing the quality and integrity of TJX's accounting, auditing and financial reporting practices. The Audit Committee is composed solely of members who are independent, as defined by the New York Stock Exchange and TJX's Corporate Governance Principles. Further, the Board has determined that two of our members (Mr. Hines and Ms. Lane) are audit committee financial experts as defined by the rules of the SEC.

**Table of Contents**

The Audit Committee met 11 times during fiscal 2012, including four meetings held with TJX's Chief Financial Officer, Corporate Controller, Corporate Internal Audit and PricewaterhouseCoopers LLP, or PwC, TJX's independent registered public accounting firm, prior to the public release of TJX's quarterly and annual earnings announcements in order to discuss the financial information contained in the announcements.

We took numerous actions to discharge our oversight responsibility with respect to the audit process. We received the written disclosures and the letter from PwC pursuant to Rule 3526, Communication with Audit Committees Concerning Independence, of the Public Company Accounting Oversight Board (PCAOB) concerning any relationships between PwC and TJX and the potential effects of any disclosed relationships on PwC's independence and discussed with PwC its independence. We discussed with management, the internal auditors and PwC, TJX's internal control over financial reporting and management's assessment of the effectiveness of internal control over financial reporting and the internal audit function's organization, responsibilities, budget and staffing. We reviewed with both PwC and our internal auditors their audit plans, audit scope and identification of audit risks.

We discussed and reviewed with PwC communications required by the Standards of the PCAOB (United States), as described in PCAOB AU Section 380, Communication with Audit Committees, and, with and without management present, discussed and reviewed the results of PwC's examination of TJX's financial statements. We also discussed the results of the internal audit examinations with and without management present.

The aggregate fees that TJX paid for professional services rendered by PwC for fiscal 2012 and fiscal 2011 were:

In thousands	2012	2011
Audit	\$ 4,967	\$ 4,377
Audit Related	295	415
Tax	318	488
All Other	22	12
<b>Total</b>	<b>\$ 5,602</b>	<b>\$ 5,292</b>

Audit fees were for professional services rendered for the audits of TJX's consolidated financial statements including financial statement schedules and statutory and subsidiary audits, assistance with review of documents filed with the SEC, and opinions on the effectiveness of internal control over financial reporting with respect to fiscal 2012 and fiscal 2011.

Audit related fees were for services related to consultations concerning financial accounting and reporting standards and employee benefit plan and medical claims audits.

Tax fees were for services related to tax compliance, planning and advice, including assistance with tax audits and appeals, tax services for employee benefit plans, and requests for rulings and technical advice from tax authorities.

All other fees were for services related to training for TJX's internal audit department in fiscal 2012 and fiscal 2011.

We pre-approve all audit services and all permitted non-audit services by PwC, including engagement fees and terms. We have delegated the authority to take such action between meetings to the Audit Committee chair, who reports the decisions made to the full Audit Committee at its next scheduled meeting.

Our policies prohibit TJX from engaging PwC to provide any services relating to bookkeeping or other services related to accounting records or financial statements, financial information system design and implementation, appraisal or valuation services, fairness opinions or contribution-in-kind reports, actuarial



**Table of Contents**

services, internal audit outsourcing, any management function, legal services or expert services not related to the audit, broker-dealer, investment adviser, or investment banking services or human resource consulting. In addition, we evaluate whether TJX's use of PwC for permitted non-audit services is compatible with maintaining PwC's independence. We concluded that PwC's provision of non-audit services, which we approved in advance, was compatible with their independence.

We reviewed and discussed the audited financial statements of TJX as of and for fiscal 2012 with management and PwC. Management has the responsibility for the preparation of TJX's financial statements, and PwC has the responsibility for the audit of those statements.

Based on these reviews and discussions with management and PwC, we recommended to the Board that TJX's audited financial statements be included in its Annual Report on Form 10-K for fiscal 2012 for filing with the SEC. We also have selected PwC as the independent registered public accounting firm for fiscal 2013, subject to ratification by TJX's stockholders.

**Audit Committee**

Michael F. Hines, *Chair*

José B. Alvarez

David T. Ching

Amy B. Lane

**Beneficial Ownership**

The following table shows, as of April 16, 2012, the number of shares of our common stock beneficially owned by each director, director nominee, executive officer named in the Summary Compensation Table and all directors and executive officers as a group. All share and share-based numbers in this proxy statement reflect the two-for-one stock split effected February 2, 2012.

<b>Name</b>	<b>Number of Shares(1)</b>
Zein Abdalla	1,654
José B. Alvarez	28,827
Alan M. Bennett	32,127
Bernard Cammarata(2)(3)	3,048,994
David T. Ching	32,088
Ernie L. Herrman	683,180
Michael F. Hines	40,294
Amy B. Lane(3)	55,093
Carol Meyrowitz	565,208
Jeffrey G. Naylor	156,062
John F. O'Brien	124,208
Jerome Rossi	154,270
Willow B. Shire	134,656
Paul Sweetenham	0
All Directors, Nominees and Executive Officers as a Group (18 Persons)(4)	5,559,579

The total number of shares beneficially owned by each individual and by the group above each constitutes less than 1% of the outstanding shares. Reflects sole voting and investment power except as indicated in footnotes below.

(1)



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Includes shares of common stock that the following persons had the right to acquire on April 16, 2012 or within sixty (60) days thereafter through the exercise of options: Mr. Herrman, 215,408; Ms. Lane, 12,912; Ms. Meyrowitz, 185,288; Mr. O'Brien, 24,000; Mr. Rossi, 29,148; Ms. Shire, 72,000 and all directors,

**Table of Contents**

nominees and executive officers as a group, 657,848. Includes performance-based restricted shares that are subject to forfeiture restrictions: Mr. Herrman, 420,000; Ms. Meyrowitz, 240,000; Mr. Naylor, 110,000; Mr. Rossi, 96,000 and all directors, nominees and executive officers as a group, 1,197,500. Includes vested deferred shares (and estimated deferred shares for accumulated dividends) held by the following directors: Mr. Abdalla, 677; Mr. Alvarez, 25,581; Mr. Bennett, 25,581; Mr. Ching, 18,880; Mr. Hines, 27,748; Ms. Lane, 28,079; Mr. O'Brien, 45,442; Ms. Shire, 45,616 and all directors, nominees and executive officers as a group, 217,604. Includes estimated deferred shares (and estimated deferred shares for accumulated dividends) that vest within 60 days of April 16, 2012 held by the following directors: Mr. Abdalla, 677; Mr. Alvarez, 2,546; Mr. Bennett, 2,546; Mr. Ching, 2,546; Mr. Hines, 2,546; Ms. Lane, 2,546; Mr. O'Brien, 2,546; Ms. Shire, 2,546 and all directors, nominees, and executive officers as a group, 18,499.

- (2) Excludes 3,216 shares owned by Mr. Cammarata's wife as to which Mr. Cammarata disclaims beneficial ownership.
- (3) Includes shares owned by trusts or a charitable foundation of which the following is a trustee or officer: Mr. Cammarata, 3,048,994 and Ms. Lane, 1,300.
- (4) Includes 16,000 shares owned jointly and over which an executive officer and spouse share voting and dispositive power. The following table shows, as of April 16, 2012, each person known by us to be the beneficial owner of 5% or more of our outstanding common stock:

Name and Address of Beneficial Owner	Number of Shares	Percentage of Class Outstanding
FMR LLC	95,850,314	12.71%
82 Devonshire Street		
Boston, MA 02109		

The amounts above are based on ownership of FMR LLC at December 31, 2011, as indicated in its Schedule 13G/A filed with the SEC on February 14, 2012, which reflected sole voting power with respect to 5,289,370 of the shares and sole dispositive power with respect to 95,850,314 shares.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers to file reports of holdings and transactions in our common stock with the SEC and the New York Stock Exchange. To facilitate compliance, we have undertaken the responsibility to prepare and file these reports on behalf of our officers and directors. Based on our records and other information, all reports were timely filed.

**Table of Contents**

**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

*Executive Summary*

Over the last 10 years, our management has led TJX's excellent performance through weak and strong economies, more than doubling sales and earnings. We believe our compensation program has been a key component to achieving this success and is critical to motivating our management to achieve our business goals, encouraging long-term strategy, rewarding them for performance and retaining them. The fiscal 2012 compensation of our named executive officers reflects our strong performance for the fiscal year.

*Our Performance*

*Fiscal 2012 was another successful year for TJX.*

Our fiscal 2012 net sales reached \$23.2 billion, a 6% increase over last year.

Our U.S. businesses continued to exceed our expectations in fiscal 2012, posting significant comparable store sales increases on top of significant increases in the prior two years and continuing to increase their segment profits. Our international businesses regained their momentum by the end of fiscal 2012.

Our total stockholder return for fiscal 2012 was 43%.

*Our performance continued to reflect strong execution by our management of our business model.*

For the third consecutive fiscal year, we increased customer traffic.

We delivered another year of double digit earnings growth, with a 14% increase in adjusted earnings per share\* in fiscal 2012, on top of 23% and 48% increases in the prior two years.

Our three- and five-year growth through fiscal 2012 surpassed that of our peer group.

Our market capitalization continued to grow.

**Compound Annual Adjusted EPS\* Growth Rates**

**TJX Market Capitalization FY08 - FY12**

\* All share and share-based numbers in this proxy statement reflect the two-for-one stock split effected February 2, 2012. Adjusted earnings per share of TJX and several of the peer group members discussed in this Compensation Discussion and Analysis exclude from diluted earnings per share from continuing operations (EPS) computed in accordance with U.S. generally accepted accounting principles (GAAP) the positive and negative effects of items that affect comparability between periods. TJX fiscal 2007 adjusted EPS of \$0.83 excludes costs of \$0.01 per share related to the Computer Intrusion from GAAP EPS of \$0.82. TJX fiscal 2008 adjusted EPS of \$0.97 excludes a \$0.13 per share charge for a provision for Computer Intrusion related costs from GAAP EPS of \$0.84. TJX fiscal 2009 adjusted EPS of \$0.96 excludes a \$0.04 per

share benefit from the 53rd week, \$0.01 per share benefit from tax adjustments and \$0.02 per share benefit for a reduction in

**Table of Contents**

Computer Intrusion related costs from GAAP EPS of \$1.04. TJX fiscal 2011 adjusted EPS of \$1.75 excludes \$0.11 per share for A.J. Wright closing costs and a \$0.01 per share benefit for a reduction in Computer Intrusion related costs from GAAP EPS of \$1.65. TJX fiscal 2012 adjusted EPS of \$1.99 excludes \$0.04 per share for A.J. Wright closing costs and \$0.02 per share from costs related to the conversion and grand re-opening of certain former A.J. Wright stores to other banners from GAAP EPS of \$1.93. These measures may not foot due to rounding. TJX GAAP EPS for fiscal 2010 was not adjusted.

As a result of our performance-based compensation program, our executives' fiscal 2012 compensation reflects our outstanding performance.

We exceeded our corporate pre-tax income-based target for fiscal 2012 under our short-term cash incentive plan, resulting in a 117.95% payout of corporate short-term award opportunities for our named executive officers.

Our performance for the cumulative fiscal 2010-2012 period substantially exceeded the business plan-based targets for that three year period under our long-term cash incentive plan and resulted in a 138.70% payout of award opportunities for our named executive officers.

We satisfied all of the performance-based vesting conditions ending in fiscal 2012 for performance-based restricted stock awards held by our named executive officers.

Our stock price rose to \$33.69 at fiscal year-end (on a post-split basis), a 41% increase over last fiscal year end.

Our CEO's earned compensation over the last five fiscal years is correlated with our strong performance:

\*Total compensation consists of base salary, short- and long-term cash incentives earned, stock options valued at grant date and performance-based restricted stock valued at grant date and allocated to the year of the related service and performance (see Allocation of Performance-Based Restricted Stock Awards to Years of Intended Compensation below). Reconciliations of adjusted EPS to GAAP EPS are included above.

*Our Compensation Program*

We have a total compensation approach focused on performance-based incentive compensation that seeks to:

attract and retain very talented individuals in the highly competitive retail environment, maintaining an extremely high talent level in our company and providing for succession broadly across our management;

reward objective achievement of the short- and long-term financial objectives reflected in our business plans; and

**Table of Contents**

enhance shareholder value by directly aligning the interests of our management and shareholders. Our compensation program for our executives is heavily weighted to incentive compensation that is at risk. Base salary is the only one of the four principal elements of our compensation program that is fixed. Each of the other elements is variable: short- and long-term cash incentive plan awards are earned solely on the achievement of objective performance goals, vesting of performance-based restricted stock requires achievement of objective performance goals, and stock options have value only to the extent the value of our stock increases. As shown in the following charts, performance-based compensation (equity incentives, short-term cash incentives and long-term cash incentives) constituted a significant portion of our named executive officers' (NEOs) direct annual compensation at target in fiscal 2012.

**Fiscal 2012 Compensation Elements\***

\* Consists of fiscal 2012 salary, target cash incentive awards under short-term (MIP) and long-term (LRPIP) plans, performance-based restricted stock awards (grant date fair value) with performance periods ending in fiscal 2012 and fiscal 2012 option awards (grant date fair value).

**Table of Contents***Elements of Compensation*

Incentive compensation comprises a substantial portion of each named executive officer's compensation opportunity. These incentives directly tie the amount of each named executive officer's incentive compensation to objective performance achieved by TJX and its stock and thereby directly link executive compensation with the interests of our stockholders. The key elements of our compensation program are shown below:

<b>Element</b>	<b>Objectives</b>	<b>Form</b>
Salary	Attract and retain talented individuals. Provide compensation for performance of primary roles and responsibilities.	Cash
Short-Term Cash Incentives (MIP)	Reward achievement of financial goals for the current fiscal year, either for a single division or for a blend of divisional goals. Provide an incentive to achieve our short-term financial objectives and balance our long-term performance goals.	Cash
Long-Term Cash Incentives (LRPIP)	Reward achievement of multi-year financial goals, typically over three fiscal years, weighted and aggregated to reflect the goals of each division. Provide an incentive to achieve our long-term financial objectives and balance our short-term performance goals. Provide an additional retention incentive.	Cash
Equity Incentives (Options and PBRs)	Align the interests of our executives with shareholders. Provide an important retention incentive.	Equity
Health, Retirement and Other Benefits	Provide health and welfare, deferred compensation and retirement benefits, as well as limited perquisites, to maintain our competitive position and promote retention.	Insurance/Cash

*Our incentive compensation program is consistent and transparent to our Associates.* The targets that must be achieved to earn incentive awards and performance-based restricted stock are clear, objective and directly reflect our targeted operating performance. The incentive compensation targets for all of our divisions are derived from our Board-approved business plans, which, in turn, form the basis for our corporate incentive targets.

*Our compensation program aligns the interests of our Associates, our businesses and our stockholders and is designed to drive outstanding performance.* The incentive plan targets are derived from our business plans, focusing all of our executives and other key Associates on the same objectives. For our short-term cash incentive plan, the ECC selected an annual operating profit goal measure based on pre-tax income. Annual performance for divisional level Associates is measured based on targets taken from the divisional business plans and annual performance for our executives and other corporate Associates is measured against an aggregation of those divisional targets. For our long-term cash incentive plan, the ECC selected an operating goal and approved a

## Table of Contents

target that is the weighted aggregation of multi-year divisional profit targets, designed to measure results over the long term. The weighting and aggregation of the long term divisional goals, based on adjusted pre-tax income measures, adds focus on performance division by division and encourages growth and performance of the smaller divisions. The business plans that underlie our incentive targets also are the basis for the projections of performance that we give to investors at the beginning of each fiscal year. As a result, our incentive targets across the company drive the performance that we need to achieve our projections and align the interests of our Associates and those of our stockholders.

We believe that our approach to compensation serves to align management's interests with those of shareholders and has contributed to our strong overall performance over many years in all types of business environments. As of the end of fiscal 2012, our total stockholder return significantly exceeded the performance of the general market (S&P 500) and our industry index (Dow Jones U.S. Apparel Retailers Index) over the past three- and five-year fiscal periods.

### **TJX Total Shareholder Return Growth v. Market and Retail Indexes**

*We maintain shareholder friendly pay practices.*

Our named executive officers receive limited perquisites, all of which are shown and quantified in the Summary Compensation Table.

Our short- and long-term bonuses are earned by our executives based solely on achievement of objective Board-approved metrics. The bonus payouts for our named executive officers can be decreased but not increased under our bonus plans and are subject to limits on maximum payout.

All of our restricted stock awards have performance-based vesting conditions in addition to time-based vesting conditions. None of these awards vest based on time alone.

We do not provide tax gross-ups on regular compensation or golden parachute tax gross-ups. Severance benefits are payable to our named executive officers following a change of control only upon involuntary terminations of employment or termination by the executive for good reason.

We have not offered a primary Supplemental Executive Retirement Plan (SERP) benefit to new participants for many years. Only vested participants still have this benefit.

Our executive officers are subject to and are in compliance with published stock ownership guidelines. *Our stockholders showed strong approval for our executive compensation program.* At our last annual meeting, 97% of our stockholders voting on the proposal approved our advisory say on pay proposal on the compensation of our executive officers. The ECC views these results as demonstrating stockholders' support for our approach to executive compensation, including the focus on incentive components linked to our performance, and was mindful of this support when acting on compensation matters during the remainder of fiscal 2012 and in considering compensation for fiscal 2013.



## **Table of Contents**

### **How Compensation Decisions Are Made**

The Executive Compensation Committee (ECC), an independent committee of our Board of Directors, is responsible for compensation design and for approving compensation for our executive officers. The ECC has the authority, without Board or management approval, to retain and terminate its compensation consultants and to determine their fees and terms of engagement. The ECC reviews and approves compensation matters at various meetings during the year.

The ECC has used the same principle of compensation design for many years: establish a program of total compensation competitive with our peers, heavily weighted toward objective, performance-based incentives. In determining the overall level of executive compensation and the allocation of its components, the ECC considers various factors, such as company and divisional performance, individual performance and responsibility, market data, retention and succession planning.

The ECC reviews our overall corporate and divisional performance as well as the individual performance of the executives, including both quantitative and qualitative performance factors. In setting targets and evaluating performance, the ECC reviews various metrics of corporate performance, including adjusted EPS. Our named executive officers play a limited role in the executive compensation process. Our named executive officers participate in our strategic planning process and recommend to the Board for its review and approval the annual and multi-year business plans for TJX and its divisions. These approved plans are the basis for the short- and long-term incentive performance targets and the restricted stock performance criteria, all of which are approved by the ECC. Additionally, our CEO provides an annual self-assessment and annual performance reviews of the other named executive officers and makes recommendations to the ECC regarding the base salaries and other elements of compensation for those executives. The Corporate Governance Committee of the Board provides the ECC with a review of the performance of our CEO for the year, including her achievement of performance objectives set by the Corporate Governance Committee in addition to those provided in our incentive plans, but does not make compensation recommendations. The ECC then considers these performance reviews and recommendations in establishing base salaries, cash incentive opportunities and equity grants.

The ECC also consults with and reviews data from a compensation consultant to assess the overall competitiveness of our executives' individual compensation and our compensation programs overall. For fiscal 2012 compensation, as discussed below under "ECC Compensation Consultant and Peer Group Information," the ECC reviewed peer group data provided by Pearl Meyer & Partners, LLC (PM&P), its independent compensation consultant, with respect to the named executive officers. The ECC also receives advice from PM&P on other matters, such as contracts with executives and plan targets.

The ECC considers the effects on retention and succession at the executive officer and other management levels when determining the levels and design of compensation. The ECC takes into account contractual obligations, historical compensation practices believed successful and the limitation on income tax deductions imposed by Section 162(m) of the Internal Revenue Code (Section 162(m)). The ECC also considers matters such as recruitment, new hires, promotions, organizational changes, relocations and transitional roles.

The ECC uses all of this information to determine the overall level and appropriate mix of short-term versus long-term incentive opportunities and cash versus equity-based compensation and opportunities to provide a competitive mix and encourage achievement of our short- and long-range goals and also encourage employee retention and succession. The ECC separately determines individual compensation components at its various meetings throughout the year. The ECC also uses this information to determine the appropriate level of retirement benefits, deferred compensation opportunities and limited perquisites. These help us maintain our competitive position and retain our executives.

### **ECC Compensation Consultant and Peer Group Information**

The ECC engaged PM&P to serve as the independent compensation consultant to the ECC for fiscal 2012. PM&P advised the ECC with respect to the design and competitive positioning of base salary, annual bonus and long-term cash and equity incentives for our named executive officers and other senior management, including

**Table of Contents**

terms of employment agreements. PM&P did not perform any services for TJX other than work for the ECC and for the Corporate Governance Committee with respect to compensation of directors. PM&P reported to the ECC, which determined the scope of PM&P’s engagement and fees.

The ECC uses a peer group to provide context for its compensation decision-making for our named executive officers. Each year, the ECC considers revisions to the peer group and in fiscal 2011 it substantially revised the peer group. In June 2011, advised by PM&P, the ECC reviewed the composition of its peer group, including considerations of the following pre-determined criteria:

industry similarity;

companies with revenues approximately one-third to three times our annual revenue (generally between \$7B and \$65B at that time);

companies with market capitalization approximately one-fourth to four times our market capitalization (generally between \$5B and \$74B at that time); and

similar levels of complexity in terms of global operations and brand and/or product line diversity.

The ECC determined that the following peer group of 17 large, publicly traded consumer-oriented companies used in fiscal 2011 continued to be an appropriate peer group for TJX for fiscal 2012:

**Fiscal 2012 Peer Group Companies**

Amazon.com, Inc.	Kimberly-Clark Corporation	Nordstrom, Inc.
Bed Bath & Beyond Inc.	Kohl’s Corporation	Ross Stores, Inc.
Best Buy Co., Inc.	Limited Brands, Inc.	Staples, Inc.
Costco Wholesale Corporation	Lowe’s Companies, Inc.	Target Corporation
The Gap, Inc.	Macy’s, Inc.	YUM! Brands, Inc.
J. C. Penney Company, Inc.	Nike, Inc.	

Although the ECC uses peer group data to provide context for its own determinations, it does not target compensation or any element of compensation for our named executive officers by reference to any specified level at the peer group.

**Compensation Design**

Compensation for our named executive officers includes base salary, incentive compensation (both equity and cash) and other benefits, each of which is described further below. The ECC evaluates and balances the portion of total compensation payable as each element of compensation rather than applying a set formula.

***Base Salary***

Each of our named executive officers receives a base salary in cash during the fiscal year. Base salary contributes to our overall compensation approach by providing competitive, fixed compensation to attract and retain talented individuals at a level that reflects the executive’s responsibilities, performance, experience and value in the marketplace. Base salaries are reviewed on an annual basis and also at the time of a new employment agreement, promotion, or other significant changes in responsibilities.

***Incentive Compensation***

A significant portion of each named executive officer’s compensation is equity and cash incentive compensation granted under awards requiring an increase in the value of our stock or achievement of performance goals, at levels specified by the ECC, based on performance measures approved by our stockholders. Our equity-based and cash incentive compensation for our U.S. named executive officers in fiscal 2012 was

intended to qualify for an exemption from the deduction limitation rules of Section 162(m).

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## **Table of Contents**

*Short-Term Cash Incentives (MIP).* The annual cash incentive awards made under our Management Incentive Plan (MIP) are designed to motivate our named executive officers and other key Associates to achieve or exceed a performance target established for the fiscal year. Each MIP award has a target award opportunity based on achievement of this target. The actual payout of a MIP award is determined by measurement of actual performance against the performance target. If the targeted performance is met, participants are eligible to receive their target MIP awards. If performance exceeds the performance target, participants are eligible to be paid more than their target MIP awards based on the extent to which performance exceeds the performance targets (but not more than two times the target award, and not more than a pre-established maximum, \$5 million per award under current plan terms, for any participant whose compensation is expected to be subject to the limits on deductibility under Section 162(m)). If performance does not meet the performance target, participants are eligible to receive a payout below their MIP target awards, based on the extent to which performance falls below the performance targets; or, if performance does not meet a minimum threshold, no award is earned. MIP performance targets (including any objective factors that may affect financial results, the occurrence of which would result in automatic adjustments to the targets), award opportunities and amounts payable at different levels of performance are pre-established by the ECC for the fiscal year. Performance results must be certified by the ECC, which has the authority to reduce but not increase the MIP awards to our named executive officers.

*Long-Term Cash Incentives (LRPIP).* The long-term cash incentive awards made under our Long Range Performance Incentive Plan (LRPIP) are designed to motivate our named executive officers and other key Associates to achieve or exceed cumulative performance targets for a multi-year period, which also promotes retention. Each LRPIP award has a target award opportunity based on achievement of these targets. As with the MIP, the payout of LRPIP awards is determined by measurement of actual performance against the pre-established performance targets. If the targeted performance is met, participants are eligible to receive their target LRPIP awards. If performance exceeds the performance targets, participants are eligible to be paid more than their target LRPIP awards based on the extent to which performance exceeds the performance targets (but not more than 150% of the target award, and not more than a pre-established maximum, \$5 million per award under current plan terms, for any participant whose compensation is expected to be subject to the limits on deductibility under Section 162(m)). If performance does not meet the performance targets, participants are eligible to receive a payout below their LRPIP target awards, based on the extent to which performance falls below the performance targets, or, if performance does not meet a minimum threshold, no award is earned. LRPIP performance targets (including any objective factors, the occurrence of which would result in automatic adjustments to the targets), award opportunities and amounts payable at different levels of performance are pre-established by the ECC for each performance cycle. Performance results must be certified by the ECC, which has the authority to reduce but not increase the LRPIP awards to our named executive officers.

*Equity-Based Compensation.* Equity awards are made under our Stock Incentive Plan, or SIP, generally in the form of stock options and performance-based restricted stock awards. The ECC grants each stock option with an exercise price equal to the closing price of our common stock on the date of grant. Stock options do not deliver value unless the value of our stock appreciates and then only to the extent of such appreciation, thus linking the interests of our executive officers with those of our stockholders. Performance-based restricted stock awards vest only to the extent of achievement of the performance criteria, linked to TJX's financial performance, provided for those awards. Both stock options and performance-based restricted stock awards also have service-based vesting conditions that provide important retention incentives.

### ***Other Elements of Compensation***

*Retirement Benefits.* All of our U.S. named executive officers participate in a broad-based pension plan for U.S. Associates under which benefits are accrued based on compensation and service. They are also eligible to participate in our 401(k) plan. As a resident of the U.K., Mr. Sweetenham participated in our retirement plan for U.K. Associates under which participants may defer earnings, receive an employer match and invest their funds to purchase benefits at retirement. We also maintain a Supplemental Executive Retirement Plan, or SERP. Ms. Meyrowitz and Mr. Rossi participate in our primary SERP benefit program. Mr. Herrman and Mr. Naylor participate in our alternative SERP benefit program, each discussed below under Pension Benefits.

**Table of Contents**

**Deferred Compensation.** Our U.S. named executive officers can defer compensation under our Executive Savings Plan, or ESP, an elective deferred compensation plan, intended to help us compete for and retain talent by providing participants with additional opportunities for personal financial planning and by rewarding and encouraging retention. Amounts deferred are notionally invested in mutual funds or other market investments. Participants in the ESP (other than those eligible for our primary SERP benefit) receive an employer match, subject to a vesting schedule, that is similarly notionally invested. Mr. Naylor and Mr. Herrman received this match for fiscal 2012, a portion of which is based on our performance under MIP. Mr. Sweetenham was eligible for a similar performance-based deferred compensation benefit in the U.K., which was forfeited in connection with his departure from TJX. Some of our named executive officers also have amounts previously deferred under our General Deferred Compensation Plan, or GDCP, now closed to new deferrals. Under this plan, deferrals are credited to an account that earns notional interest until distributed at an annually adjusted rate based on U.S. Treasury securities. Our deferred compensation plans for named executive officers are discussed below under Nonqualified Deferred Compensation Plans.

**Perquisites.** We provide limited perquisites and other personal benefits to our named executive officers. These benefits, which are all included below as part of All Other Compensation detailed in footnote 5 of the Summary Compensation Table, generally consist of automobile allowances, financial and tax planning services, payment of insurance premiums and payment of legal fees associated with employment agreement negotiations. None of these perquisites is grossed up for taxes.

**Fiscal 2012 Compensation**

**Fiscal 2012 Base Salary.** Ms. Meyrowitz and Mr. Herrman's salaries were set at the end of fiscal 2011 in connection with their employment agreements and reflected the new roles they assumed in fiscal 2012, including the mutual expectation that Ms. Meyrowitz would retain responsibility for all executive functions associated with her role as Chief Executive Officer but that, with Mr. Herrman taking on the role of President, she would be able to delegate more of her day-to-day responsibilities. During fiscal 2012, the ECC approved salary increases for Mr. Rossi and Mr. Naylor based on various factors including assessment of individual performance, our fiscal 2011 performance, responsibilities, contractual agreements and peer group review. The overall salary earned by each named executive officer during fiscal 2012 is reflected in the Summary Compensation Table. The base salaries for our named executive officers as of the end of fiscal 2012 were as follows:

Name	Salary
Carol Meyrowitz	\$ 1,320,000
Ernie L. Herrman	\$ 1,100,000
Jeffrey G. Naylor	\$ 830,000
Jerome Rossi	\$ 780,000
Paul Sweetenham	£ 525,045

**Fiscal 2012 MIP.** The MIP award opportunities for all of our named executive officers other than Mr. Sweetenham were based solely on our corporate MIP target. Mr. Sweetenham's award opportunity was based on both corporate and TJX Europe targets. For fiscal 2012, the target MIP award opportunities (as a percentage of salary earned during the fiscal year) were as follows:

Name	% of Salary	Goals
Carol Meyrowitz	150%	Corporate
Ernie L. Herrman	80%	Corporate
Jeffrey G. Naylor	65%	Corporate
Jerome Rossi	50%	Corporate
Paul Sweetenham	55%	75% TJX Europe; 25% Corporate

**Table of Contents**

For fiscal 2012, the ECC approved MIP performance targets based on Board-approved divisional pre-tax income plans, a metric intended to focus the executives on targets that drive the performance the company needs to achieve its publicly announced performance projections for the fiscal year. For corporate Associates, the MIP performance target was consolidated divisional pre-tax income excluding capitalized inventory costs, and intercompany, imputed, direct and fixture interest income and expense and did not include the former A.J. Wright division. For TJX Europe, the MIP performance target was TJX Europe divisional pre-tax income excluding capitalized inventory costs, and intercompany, imputed, direct and fixture interest income and expense. In setting the targets, the ECC believed that they were challenging but reasonably achievable. The table below shows these performance targets as well as the performance at or below which the award payout is zero and at or above which the award payout is the maximum under the terms of the award.

**Fiscal 2012 MIP Targets**

(Amounts in 000 s)

	Threshold (% of Target)	Target	Maximum (% of Target)
Corporate	\$ 2,112,977	\$ 2,641,221	\$ 3,018,538
	(80%)	(100%)	(114.3%)
TJX Europe	£ 78,347	£ 104,463	£ 125,355
	(75%)	(100%)	(120%)
<b>Payout (%)</b>	0%	100%	200%

The MIP awards for fiscal 2012 for our named executive officers were earned as follows:

**Fiscal 2012 MIP Results**

(Amounts in 000 s)

	MIP Target	Actual Performance	Amount Above Target	% of Target	MIP Award Payout Percentage
Corporate	\$ 2,641,221	\$ 2,708,956	\$ 67,735	102.6%	117.95%
TJX Europe	£ 104,463	£ 45,142		43.2%	0%

Based on these results, the named executive officers earned awards equal to 117.95% of their award opportunities, other than Mr. Sweetenham, who earned a fiscal 2012 MIP award of 29.49% of his target award opportunity (117.95% of 25% of his target award).

*Completion of Fiscal 2010-2012 LRPIP Award Cycle.* Fiscal 2012 completed the performance cycle for the fiscal 2010-2012 LRPIP awards. Our LRPIP award target for our named executive officers was based on our Board-approved business plans for the covered fiscal years at the time of grant to reflect overall company performance objectives and was intended to motivate achievement of long-term business goals. The target was based on an aggregate of weighted cumulative pre-tax income targets for each of our divisions for fiscal years 2010, 2011 and 2012, excluding capitalized inventory costs, but including intercompany, imputed, direct and fixture interest income and expense, and automatically adjusted during fiscal 2011 to exclude the A.J. Wright division. Actual divisional performance for the cycle was compared to each divisional target resulting in divisional payout percentages, based on a pre-established formula (payout ranging from 0% to 150% for performance ranging from 33% to 133% of the divisional performance target). These percentages were then weighted according to pre-established weightings designed to make performance at the smaller divisions more meaningful to the LRPIP award and intended to promote focus on their performance. The resulting weighted divisional percentages were added together to determine the overall award payout percentage. In setting the targets, the ECC believed that they were challenging but reasonably achievable.



**Table of Contents**

For the fiscal 2010-2012 LRPIP cycle, our named executive officers' target award opportunities were: Ms. Meyrowitz, \$1,423,333; Mr. Herrman, Mr. Naylor and Mr. Sweetenham, \$700,000; and Mr. Rossi, \$375,000. Their actual awards for this cycle, shown in the Summary Compensation Table, were earned on the following basis:

**Fiscal 2010-2012 LRPIP Results**

(Amounts in 000 \$)

Divisions	Cumulative 3-Year Performance Target	Cumulative 3-Year Actual Performance	Unweighted Contribution to Target Award	Divisional Weightings*	Weighted Contribution to Target Award
In the US:					
Marmaxx	\$ 3,708,378	\$ 6,135,242	150.00%	68.4%	102.63%
HomeGoods	\$ 117,739	\$ 566,526	150.00%	10.5%	15.79%
TJX Canada	C\$ 670,485	C\$ 1,066,012	150.00%	10.5%	15.79%
TJX Europe	£ 321,905	£ 198,947	42.70%	10.5%	4.49%

Total LRPIP Award: 138.70%

\* Measures may not foot due to rounding.

*Grant of Fiscal 2012-2014 LRPIP Award Opportunities.* The ECC established the following LRPIP target award opportunities for the fiscal 2012-2014 cycle for our named executive officers: Ms. Meyrowitz, \$1,320,000; Mr. Herrman, \$1,100,000; Mr. Naylor and Mr. Sweetenham, \$700,000; and Mr. Rossi, \$375,000. The minimum level for any payout is 33.33% of the performance target and the maximum payout level is 133.33% of the performance target. Consistent with our past disclosure practice, we plan to disclose the performance targets, which are based on business targets for future periods, after the completion of the performance cycle.

**Equity-Based Compensation**

*Grant of Performance-Based Restricted Stock Awards.* The ECC granted performance-based restricted stock awards in fiscal 2012 to our named executive officers, as shown in the Grant of Plan Based Awards table, other than our CEO and our President, who each were granted restricted stock awards in connection with their new employment agreements at the end of fiscal 2011. The ECC determined the number of shares granted in fiscal 2012 based on factors including the level of responsibility of the executives, the potential value of each grant and the executive's total compensation. The performance condition for full vesting of these awards is achievement of a payout of not less than 67% of the target corporate LRPIP payout for the performance period, linking the vesting with our corporate performance. Performance below this target level reduces the number of shares that would otherwise vest, pro rata, with no shares vesting if performance is below the minimum threshold. Vesting of these performance-based restricted stock awards is also subject to satisfaction of the service requirements specified in the awards. The ECC believes these awards perform an important retention function.

*Allocation of Performance-Based Restricted Stock Awards to Years of Intended Compensation.* Under SEC rules, the entire value of our performance-based restricted stock awards is shown in the Summary Compensation Table in the year of grant. As a result, the equity compensation of our named executive officers shown in the Summary Compensation Table for a particular year sometimes reflects awards intended by the ECC to compensate the executives for service and performance in different years. For example, performance-based restricted stock awards for Ms. Meyrowitz reflected in the Summary Compensation Table for fiscal 2011 valued at approximately \$5,725,000 (based on the grant date fair value) were intended by the ECC to compensate Ms. Meyrowitz for service and performance in fiscal 2012.



**Table of Contents**

*Satisfaction of Performance-Based Vesting Conditions for Restricted Stock Awards.* During fiscal 2012, each named executive officer held performance-based restricted stock awards with performance-based vesting criteria that were satisfied based on fiscal 2012 MIP performance or fiscal 2010-2012 LRPIP performance.

The fiscal 2012 portion of the award held by Ms. Meyrowitz fully vested upon ECC certification of achievement of a fiscal 2012 MIP payout of 117.95% of the corporate MIP target awards (as described under *Fiscal 2012 MIP* above). The performance condition for full vesting was achievement of a payout of not less than 67% of the corporate MIP target payout, which required us to achieve 93% of the targeted performance reflected in the fiscal 2012 plan.

The awards held by our other named executive officers contained performance-based vesting conditions that were satisfied due to achievement of a payout of 138.70% of the fiscal 2010-2012 LRPIP target awards (as described under *Completion of Fiscal 2010-2012 LRPIP Award Cycle* above). The performance condition for full vesting of these awards was achievement of a payout of not less than 67% of the fiscal 2010-2012 LRPIP target payout, which, as a result of the weighting of the smaller divisions, required us to achieve 78% of the targeted cumulative performance reflected in the fiscal 2010-2012 plan (assuming that each division performed at the same level against its target performance). These awards remain subject to service-based vesting conditions after fiscal 2012.

*Grant of Stock Options in Fiscal 2012.* The ECC determined the number of stock options granted to our named executive officers and other Associates in September 2011 by setting a fixed dollar value by executive and/or position and dividing this value by the stock price on the grant date. All options were granted with an exercise price equal to the closing stock price on the New York Stock Exchange on the grant date, and in general, have a maximum term of ten years, vest over three years and, to the extent vested, are exercisable for a limited period following termination of employment.

**Related Policies and Considerations**

*Employment Agreements.* The ECC reviewed and approved, after consultation with its independent compensation consultant, individual employment agreements for each of our named executive officers that set their terms of employment, including compensation, benefits and termination and change of control provisions discussed below under *Severance and Change of Control Provisions*. The agreements establish a minimum level of base salary and provide for participation in SIP, MIP and LRPIP, at levels commensurate with the executive's position and responsibilities and subject to the terms established by the ECC, and also entitle the executives to participate in TJX's fringe benefit and deferred compensation plans.

Each of the employment agreements with Ms. Meyrowitz, Mr. Herrman, and Mr. Naylor, described in our proxy statement for fiscal 2011 and with the notes and narrative to the compensation tables below, became effective at the beginning of fiscal 2012 and, unless earlier terminated in accordance with its terms, continues until February 2, 2013 for Ms. Meyrowitz and Mr. Herrman and until February 1, 2014 for Mr. Naylor. In January 2012, we entered into a new employment agreement with Mr. Rossi that became effective at the beginning of fiscal 2013 and, unless earlier terminated in accordance with its terms, continues until February 1, 2014. This new employment agreement replaces his previous two-year agreement entered into in January 2010 and, among other things, set his minimum base salary at \$780,000.

*Severance and Change of Control Provisions.* We provide severance terms, including in connection with a change of control in our employment agreements and plans, and, as with Mr. Sweetenham, in separate arrangements that may be negotiated in connection with a departure. In connection with these terms, each named executive officer has agreed to post-employment non-competition, non-solicitation and other covenants intended to protect our business. We believe that severance and change of control protections assist in attracting and retaining high quality executives and in keeping them focused on their responsibilities during any period in which a change of control may be contemplated or pending and that, more generally, it is important to define the relative obligations of TJX and our named executive officers, including obtaining protection against competition

## **Table of Contents**

and solicitation. We seek to achieve these objectives in a manner consistent with our shareholder-friendly pay practices, taking into account contractual obligations and current market practice, among other considerations, such as foreign status. These provisions are described under Potential Payments upon Termination or Change of Control.

*Stock Ownership Guidelines.* We have stock ownership guidelines that apply to all of our executive officers. As described above under Stock Ownership Guidelines for Directors and Executives in Corporate Governance, our Chief Executive Officer is expected to attain stock ownership with a fair market value equal to at least five times annual base compensation and our President, our Chief Financial Officer and each Senior Executive Vice President is expected to attain stock ownership with a fair market value of at least three times annual base compensation. These guidelines are designed to align our executives' interests with those of our stockholders and to encourage a long-term focus. Our policies also prohibit our executive officers from engaging in hedging transactions with respect to TJX stock. Each of our executive officers is in compliance with our stock ownership guidelines and policies.

*Tax and Accounting Considerations.* We generally structure U.S. incentive compensation arrangements with a view towards qualifying them as performance-based compensation exempt from the deduction limitations under Section 162(m), but we view the availability of a tax deduction as only one relevant consideration. We are seeking stockholder approval of the performance goals under MIP and LRPIP, consistent with Section 162(m), and we continue to emphasize performance-based compensation for executives and thus generally minimize the effect of Section 162(m). However, the ECC believes that its primary responsibility is to provide a compensation program that attracts, retains and rewards the executive talent necessary for our success. Consequently, the ECC authorizes compensation in excess of \$1 million that is not exempt from the deduction limitations under Section 162(m).

*Equity Grant Practices.* All of our equity awards are made under our stockholder-approved SIP. Virtually all of our stock options and other equity-based awards are granted at regularly scheduled ECC meetings held at approximately the same times each year. The specific dates of the meetings are scheduled by the Board, along with its determination of all regularly scheduled Board and committee meetings, generally about two years in advance. In limited circumstances, typically at regularly scheduled ECC meetings and in connection with new hires or promotions, the ECC approves or grants stock options and stock awards at other times during the year. The ECC does not have any programs, plans or practices of timing these equity grants in coordination with the release of material non-public information. The exercise price of each stock option grant is the closing stock price on the New York Stock Exchange on the grant date. The SIP prohibits, without stockholder approval, any repricing requiring stockholder approval under applicable NYSE rules.

### **Compensation Committee Report**

We have reviewed and discussed the Compensation Discussion and Analysis with management. Based on these reviews and discussions, we recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and in the Annual Report on Form 10-K for fiscal year ended January 28, 2012.

Executive Compensation Committee

Alan M. Bennett, *Chair*

José B. Alvarez

John F. O'Brien

Willow B. Shire

**Table of Contents****Summary Compensation Table**

The following table provides information concerning compensation for our principal executive officer, our principal financial officer and our three other most highly paid executive officers during fiscal 2012 (collectively, our named executive officers):

Name and Principal Position	Fiscal Year	Salary(1)	Bonus	Stock Awards(2)	Option Awards(2)	Non-Equity Incentive Plan Compensation(3)	Change in Pension Value and Nonqualified Deferred	All Other Compensation(5)	Total
							Earnings(4)		
Carol Meyrowitz(6) Chief Executive Officer	2012	\$ 1,320,000			\$ 708,954	\$ 4,309,576	\$ 4,700,459	\$ 48,660	\$ 11,087,649
	2011	\$ 1,575,000		\$ 12,559,150	\$ 947,524	\$ 4,127,571	\$ 3,826,370	\$ 43,495	\$ 23,079,110
	2010	\$ 1,475,000		\$ 7,692,000	\$ 1,168,840	\$ 4,409,361	\$ 2,565,940	\$ 50,971	\$ 17,362,112
Ernie L. Herrman(7) President	2012	\$ 1,100,000			\$ 591,537	\$ 2,008,860	\$ 432,987	\$ 310,681	\$ 4,444,065
	2011	\$ 987,021		\$ 4,664,150	\$ 631,755	\$ 1,839,085	\$ 250,167	\$ 294,210	\$ 8,666,388
	2010	\$ 925,000		\$ 772,500	\$ 779,390	\$ 1,747,180	\$ 190,998	\$ 41,280	\$ 4,456,348
Jeffrey G. Naylor(8) Senior Executive Vice President, Chief Financial and Administrative Officer	2012	\$ 823,078		\$ 1,488,000	\$ 443,227	\$ 1,601,933	\$ 272,302	\$ 243,994	\$ 4,872,534
	2011	\$ 773,656		\$ 1,419,200	\$ 473,925	\$ 1,506,429	\$ 178,511	\$ 239,892	\$ 4,591,613
	2010	\$ 740,000		\$ 643,750	\$ 584,666	\$ 1,543,680	\$ 114,886	\$ 115,375	\$ 3,742,357
Jerome Rossi Senior Executive Vice President, Group President	2012	\$ 773,943		\$ 595,200	\$ 443,227	\$ 976,558	\$ 649,987	\$ 43,473	\$ 3,482,388
	2011	\$ 730,290		\$ 842,650	\$ 473,925	\$ 1,018,251	\$ 744,267	\$ 43,559	\$ 3,852,942
	2010	\$ 700,000		\$ 309,000	\$ 584,666	\$ 1,090,900	\$ 873,736	\$ 43,347	\$ 3,601,649
Paul Sweetenham(9) Senior Executive Vice President, Group President, Europe	2012	\$ 838,864		\$ 1,240,000	\$ 320,443	\$ 1,122,305		\$ 1,168,166	\$ 4,689,778
	2011	\$ 812,035		\$ 1,419,200	\$ 342,652	\$ 830,100		\$ 354,696	\$ 3,758,683
	2010	\$ 734,349		\$ 515,000	\$ 350,922	\$ 969,251		\$ 310,987	\$ 2,880,509

- (1) Reflects salary adjustments during the fiscal year.
- (2) Reflects the aggregate fair value of stock and option awards on the grant date, computed in accordance with relevant accounting rules. Stock awards are valued based on the closing price of our common stock on the New York Stock Exchange on the grant date. Option awards are valued using the Black-Scholes option pricing model. The underlying valuation assumptions for equity awards are further discussed in Note I to our audited financial statements filed with our Annual Report on Form 10-K for fiscal 2012.
- (3) Reflects amounts earned under both MIP and LRP. For fiscal 2012, MIP amounts were: Ms. Meyrowitz, \$2,335,413; Mr. Herrman, \$1,037,960; Mr. Naylor, \$631,033; Mr. Rossi, \$456,433; and Mr. Sweetenham, \$136,048. For the LRP cycle for fiscal 2010-2012, the amounts were: Ms. Meyrowitz, \$1,974,163; Mr. Herrman, \$970,900; Mr. Naylor, \$970,900; Mr. Rossi, \$520,125 and Mr. Sweetenham, \$986,257. Amounts earned were paid in 2012 following the ECC's certification of performance results.
- (4) Reflects the change in the actuarial present value of accumulated benefit obligations under our broad-based retirement plan and our SERP. Mr. Sweetenham did not participate in these plans. Our named executive officers did not receive above-market or preferential earnings on non-tax qualified deferred compensation.

**Table of Contents**

- (5) The table below provides additional details about the amounts listed under All Other Compensation for fiscal 2012. Perquisites and other personal benefits are valued on an aggregate incremental cost basis. All figures shown in this footnote 5 represent the direct dollar cost incurred by us in providing these perquisites and other personal benefits.

	Automobile Benefit	Reimbursement for Financial, Tax Planning and Legal Services	Employer Contributions or Credits Under Savings Plans(a)	Company Paid Amounts for Life Insurance(b)	Paid or Accrued Termination Payments(c)	Total All Other Compensation
Carol Meyrowitz	\$ 35,904	\$ 6,638	\$ 4,983	\$ 1,135		\$ 48,660
Ernie L. Herrman	\$ 35,904	\$ 1,500	\$ 272,142	\$ 1,135		\$ 310,681
Jeffrey G. Naylor	\$ 35,904	\$ 1,500	\$ 205,455	\$ 1,135		\$ 243,994
Jerome Rossi	\$ 35,904	\$ 1,500	\$ 4,934	\$ 1,135		\$ 43,473
Paul Sweetenham	\$ 35,434	\$ 11,184	\$ 67,109	\$ 2,035	\$ 1,052,404	\$ 1,168,166

- (a) Reflects matching contributions under our 401(k) plan as well as, in the case of Mr. Herrman and Mr. Naylor, the matching credits under our ESP. For Mr. Sweetenham, the amount reflects matching contributions under our U.K. retirement plan. As a U.K. resident, Mr. Sweetenham did not participate in our U.S. retirement or deferred compensation plans.
- (b) Reflects company-paid amounts under our management life insurance program or, for Mr. Herrman, payment in lieu of participation in that program.
- (c) Reflects amounts accrued at the end of fiscal 2012 with respect to Mr. Sweetenham's departure from TJX, consisting of payments by TJX UK in respect of his U.K. contractual rights of £567,887 and accrued holiday pay of £90,812. Mr. Sweetenham is eligible to receive additional termination-related amounts if he satisfies non-competition, non-solicitation and related obligations to us. See Potential Payments upon Termination or Change of Control.
- (6) Consistent with SEC reporting rules, Ms. Meyrowitz's stock awards and total compensation reported above for fiscal 2012 do not include the value of 240,000 shares of performance-based restricted stock with service and performance conditions relating to fiscal 2012 and intended by the ECC as compensation for fiscal 2012 which were granted at the end of fiscal 2011 and reported in the 2011 proxy statement.
- (7) Mr. Herrman's stock awards and total compensation for fiscal 2012 do not include his award of 110,000 shares of performance-based restricted stock granted at the end of fiscal 2011 and reported in the 2011 proxy statement.
- (8) Mr. Naylor served as Senior Executive Vice President, Chief Financial and Administrative Officer through the end of fiscal 2012 and, as of the beginning of fiscal 2013, serves as Senior Executive Vice President, Chief Administrative Officer.
- (9) Mr. Sweetenham was generally paid in U.K. pounds sterling. The amounts shown in the table are converted from pounds sterling at the average annual exchange rate of \$1.5977 per pound for fiscal 2012, \$1.5466 per pound for fiscal 2011 and \$1.5895 per pound for fiscal 2010. The equity awards granted Mr. Sweetenham during fiscal 2012 were forfeited in connection with his departure, as further described below.

Total compensation for our named executive officers consists of base salary, short-term and long-term cash incentives, equity incentives, retirement and deferred compensation benefits and limited perquisites. Mr. Sweetenham also received termination-related payments in connection with his departure, as further described below. Our named executive officers were entitled under their employment agreements to

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participate in our SIP, MIP and LRPIP and received cash and equity incentives only pursuant to these plans during fiscal 2012. Ms. Meyrowitz's agreement provides for target awards during the term of the agreement of at least 150% of her base salary for MIP and at least 100% of her base salary for LRPIP and for an automobile allowance commensurate with her position.

**Table of Contents**

Ms. Meyrowitz and Mr. Rossi participated in our primary SERP benefit and Mr. Herrman and Mr. Naylor participated in our alternative SERP benefit. All of our U.S. named executive officers participated in our tax-qualified defined benefit plan and were eligible to make deferrals to our 401(k) plan and our ESP. Mr. Naylor and Mr. Herrman received matching credits under the ESP during all or part of fiscal 2012.

Mr. Sweetenham, as a resident of the U.K., participated in a retirement plan for U.K. Associates under which they may defer salary and bonus and receive an employer match. Our named executive officers were entitled to receive an automobile benefit and to participate in fringe benefit plans and programs made available to executives generally.

**Grants of Plan-Based Awards in Fiscal 2012**

The following table reports potential payouts under our cash incentive plans and all other stock and option awards that were granted during fiscal 2012 to our named executive officers:

Name and Award Type	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (\$)		Estimated Future Payouts Under Equity Incentive Plan Awards (#)		All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Options Awards(1)	Grant Date Fair Value of Stock and Option Awards(2)
		Threshold	Target	Maximum	Threshold				
Carol Meyrowitz MIP(3)			\$ 1,980,000	\$ 3,960,000					
LRPIP(4)			\$ 1,320,000	\$ 1,980,000					
Stock Options	09/07/11						108,320	\$ 26.555	\$ 708,954
Stock Awards(5)									
Ernie L. Herrman MIP(3)			\$ 880,000	\$ 1,760,000					
LRPIP(4)			\$ 1,100,000	\$ 1,650,000					
Stock Options	09/07/11						90,380	\$ 26.555	\$ 591,537
Stock Awards(5)									
Jeffrey G. Naylor MIP(3)			\$ 535,000	\$ 1,070,000					
LRPIP(4)			\$ 700,000	\$ 1,050,000					
Stock Options	09/07/11						67,720	\$ 26.555	\$ 443,227
Stock Awards	04/04/11				0	60,000			\$ 1,488,000
Jerome Rossi MIP(3)			\$ 386,970	\$ 773,940					
LRPIP(4)			\$ 375,000	\$ 562,500					
Stock Options	09/07/11						67,720	\$ 26.555	\$ 443,227
Stock Awards	04/04/11				0	24,000			\$ 595,200
Paul Sweetenham MIP(3)			\$ 461,375	\$ 922,750					
LRPIP(4)			\$ 700,000	\$ 1,050,000					
Stock Options	09/07/11						48,960	\$ 26.555	\$ 320,443
Stock Awards	04/04/11				0	50,000			\$ 1,240,000

(1) All option awards were granted with an exercise price equal to the closing price on the New York Stock Exchange on the date of grant.

(2) Reflects the aggregate fair market value of stock and option awards on the grant date. Stock awards are valued based on the closing price of our common stock on the New York Stock Exchange on the grant date. Option awards are valued using the Black-Scholes option pricing model. The underlying valuation assumptions for equity awards are further discussed in Note I to our audited financial statements filed with our Annual Report on Form 10-K for fiscal 2012.

- (3) Reflects award opportunities under the fiscal 2012 MIP for which performance is complete. Actual amounts earned under the fiscal 2012 MIP awards are disclosed in footnote 3 to the Summary Compensation Table.

**Table of Contents**

(4) Reflects award opportunities under the fiscal 2012-2014 LRPIP cycle. Amounts earned by Mr. Sweetenham under LRPIP are paid in pounds sterling based on the exchange rate in effect at the end of the cycle.

(5) Ms. Meyrowitz and Mr. Herrman received performance-based restricted stock awards at the end of fiscal 2011 and did not receive stock awards in fiscal 2012.

Non-Equity Incentive Plan amounts above reflect short-term cash incentives granted under our MIP and long-term cash incentives granted under our LRPIP. Our MIP and LRPIP are discussed above in Compensation Discussion and Analysis.

In fiscal 2012, we granted all equity incentives, including stock options and performance-based restricted stock, under our SIP. Stock options have a maximum term of ten years and generally vest in equal annual installments over three years, upon a change of control and in the event of certain terminations of employment. In the event a named executive officer's employment is terminated by reason of death, disability, or retirement at or after age 65 with five or more years of service, vested options generally remain exercisable for up to five years following termination, unless the option terminates on an earlier date pursuant to its terms. Following a retirement at or after age 65 with ten or more years of service, or a retirement at or after age 60 with twenty or more years of service, vested options generally remain exercisable for five years following termination and unvested options continue to vest for the three-year period following retirement on the same basis as if the named executive officer had not retired and remain exercisable for an extended period, unless the option terminates on an earlier date pursuant to its terms. In the event of any other termination, other than a termination for cause, vested options for our named executive officers generally remain exercisable for six months following termination (or such other period of up to three years as the ECC determines at or after the grant date), unless the option terminates on an earlier date pursuant to its terms. All options, whether or not then vested, are forfeited on a termination for cause.

The restricted stock awards have both service-based and performance-based vesting conditions, except that awards fully vest upon a change of control. For performance-based restricted stock granted to our named executive officers in fiscal 2012, the service-based conditions are satisfied by continuous employment through the scheduled vesting date (or, for Mr. Naylor, through the end of fiscal 2013), and the performance-based conditions are tied to the corporate performance target under our LRPIP for the fiscal 2012-2014 cycle, with full vesting subject to achievement of a payout of at least 67% of the target payout under LRPIP for the cycle. If the LRPIP payout is less than 67% for the cycle, a prorated portion of the unvested award will be forfeited. If no LRPIP payout is achieved for the cycle, the entire unvested award will be forfeited. When a participant's shares of restricted stock vest, the participant is entitled to any dividends paid on the shares while they were restricted.

After the close of fiscal 2012, the ECC modified the service-based condition applicable to Mr. Rossi's award in connection with his new employment agreement. As modified, the service-based condition would be satisfied by Mr. Rossi's continued employment through fiscal 2014 (to correspond with the term of his new agreement), with any additional service condition waived, and he would be entitled to the award to the extent the original performance-based conditions are met.



**Table of Contents****Outstanding Equity Awards at Fiscal 2012 Year End**

The following table provides information on outstanding option and stock awards held as of January 28, 2012 by our named executive officers:

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable(1)	Number of Securities Underlying Unexercised Options(1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested(3)	Market Value of Shares or Units of Stock That Have Not Vested(2)(3)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested(3)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested(2)(3)
Carol Meyrowitz	127,014	63,506		\$ 18.870	09/17/19				
	58,274	116,546		\$ 20.565	09/09/20				
	0	108,320		\$ 26.555	09/07/21				
						240,000	\$ 8,084,400	240,000	\$ 8,084,400
Ernie L. Herrman	60,000	0		\$ 14.615	09/10/17				
	136,860	0		\$ 17.515	09/08/18				
	84,694	42,346		\$ 18.870	09/17/19				
	38,854	77,706		\$ 20.565	09/09/20				
	0	90,380		\$ 26.555	09/07/21				
						60,000	\$ 2,021,100	180,000	\$ 6,063,300
Jeffrey G. Naylor	0	31,766		\$ 18.870	09/17/19				
	0	58,292		\$ 20.565	09/09/20				
	0	67,720		\$ 26.555	09/07/21				
						50,000	\$ 1,684,250	110,000	\$ 3,705,350
Jerome Rossi	0	31,766		\$ 18.870	09/17/19				
	29,148	58,292		\$ 20.565	09/09/20				
	0	67,720		\$ 26.555	09/07/21				
						24,000	\$ 808,440	48,000	\$ 1,616,880
Paul Sweetenham(4)	0	19,066		\$ 18.870	09/17/19				
	0	42,144		\$ 20.565	09/09/20				
	0	48,960		\$ 26.555	09/07/21				
						40,000	\$ 1,347,400	100,000	\$ 3,368,500

- (1) All option awards have a ten-year maximum term and vest in equal annual installments over three years, beginning on the first anniversary of the grant date, and upon a change of control and certain employment terminations.
- (2) Market values reflect the closing price of our common stock on the New York Stock Exchange on January 27, 2012 (the last business day of the fiscal year).

**Table of Contents**

- (3) The following table shows the scheduled vesting dates for our named executive officers' unvested shares as of January 28, 2012, subject to satisfaction of the performance- and service-based conditions of the award and assuming ECC certification of performance:

Name	Number of Unvested Shares	Vesting Date(a)
Carol Meyrowitz	240,000	03/6/2012
	240,000	03/2013(b)
Ernie L. Herrman	60,000	09/06/12
	70,000	09/06/13
	110,000	09/06/14
Jeffrey G. Naylor	50,000	04/15/12
	50,000	04/15/13
	60,000	03/2014(b)(c)
Jerome Rossi	24,000	09/06/12
	24,000	09/06/13
	24,000	03/2014(b)(d)

- (a) The restricted stock awards have both service-based and performance-based vesting conditions, except that awards fully vest upon a change of control and, for Ms. Meyrowitz, in the event of her death or disability. Each of Ms. Meyrowitz's stock awards has performance-based vesting conditions that will be satisfied if MIP performance, as certified by the ECC, for the fiscal year immediately preceding the vesting date results in a payout of at least 67% of the corporate MIP target award payout and service-based vesting conditions that will be satisfied by continued employment through the end of such fiscal year or earlier involuntary termination. Each other stock award shown above has performance-based vesting conditions that will be satisfied if LRPPI performance, as certified by the ECC, for the cycle most recently completed prior to the vesting date results in a payout of at least 67% of the LRPPI target award payout and service-based vesting conditions that will be satisfied by continued employment through the vesting date (except as described below for certain awards held by Mr. Naylor and Mr. Rossi). Each unvested award will be partially forfeited if the payout is less than 67%, or entirely forfeited if no payout is achieved, under MIP or LRPPI, as applicable, for the applicable year or cycle.
- (b) Expected date of ECC certification of applicable performance results.
- (c) Service-based vesting condition will be satisfied by continued employment through fiscal 2013. In addition to the service- and performance-based vesting conditions, Mr. Naylor's right to receive and retain the value of the award is subject to his compliance with non-competition, non-solicitation and related restrictions through the end of the two year period following the vesting date (in addition to the restrictions set forth in Mr. Naylor's employment agreement).
- (d) Service-based vesting condition will be satisfied by continued employment through fiscal 2014, as modified by the ECC following the close of fiscal 2012 in connection with Mr. Rossi's new employment agreement. Prior to the modification, the service-based vesting condition would have been satisfied by continued employment through September 6, 2014.
- (4) Mr. Sweetenham's unvested options and restricted stock awards were forfeited upon his departure from TJX.

**Table of Contents****Option Exercises and Stock Awards Vested during Fiscal 2012**

The following table provides information relating to option exercises and stock award vesting of performance-based restricted stock for our named executive officers during fiscal 2012.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise(1)	Number of Shares Acquired on Vesting	Value Realized on Vesting(2)
Carol Meyrowitz	136,840	\$ 2,086,228	350,000	\$ 8,914,500
Ernie L. Herrman	287,500	\$ 4,196,709	46,376	\$ 1,195,213
Jeffrey G. Naylor	315,342	\$ 3,543,549	38,376	\$ 983,287
Jerome Rossi	324,320	\$ 3,811,848	29,600	\$ 762,882
Paul Sweetenham	184,830	\$ 1,625,492	32,200	\$ 830,599

- (1) Represents the stock price on the New York Stock Exchange on exercise date minus the option exercise price multiplied by the number of shares acquired on exercise.
- (2) Represents the fair market value of the shares on the vesting date, calculated as the stock price on the New York Stock Exchange on vesting date multiplied by the number of shares vesting.

**Pension Benefits**

In the U.S., we have a tax-qualified defined benefit plan, or Retirement Plan, and a nonqualified Supplemental Executive Retirement Plan, or SERP. We do not have a policy of granting extra years of credited service for purposes of these plans. Our Retirement Plan was closed to new participants as of February 1, 2006, although participants employed prior to that date continue to accrue benefits. We have not offered primary SERP benefits to any new participants in many years and do not currently intend to do so in the future, although we continue to offer an alternative SERP benefit.

Under our Retirement Plan, participants accrue a benefit payable as an annuity at retirement or, if vested, following an earlier termination of employment. Once participation commences after an initial one-year eligibility period, the amount accrued each year, expressed as a life annuity commencing at age 65, is 1% of eligible compensation (base salary and MIP awards) up to a periodically adjusted limit (\$99,000 in calendar 2011 and \$103,000 in calendar 2012) and 1.4% of eligible compensation in excess of that limit. For years of service in excess of 35, the accrual rate is 1% per year of eligible compensation. Compensation for any year in excess of another periodically adjusted limit, currently \$250,000, is disregarded for these purposes. Eligible participants are also entitled to supplemental credits. Benefits under the Retirement Plan generally vest after five years of service. A vested participant who retires or whose employment terminates prior to age 65 with at least ten years of service may elect to receive a reduced annuity benefit commencing at age 55 or later.

Under our SERP, the primary benefit provides participants who retire at or after age 55 with at least ten years of service a benefit equal to the value of an annuity commencing at age 65 providing annual payments up to a maximum of 50% of the participant's final average earnings, less other employer-provided retirement benefits and social security benefits. This benefit, before offsets, accrues at the rate of 2.5% of final average earnings for each year of service not in excess of 20 until age 65. In view of his continued service beyond age 65, Mr. Rossi is entitled to additional retirement benefit accruals based on his earnings and service after age 65 if more favorable than his primary benefit under existing SERP terms. Under her employment agreement, Ms. Meyrowitz is entitled to specified interest rate assumptions if more favorable than her primary benefit under existing SERP terms. In determining final average earnings, the primary SERP includes base salary and MIP, but not LRPI, and uses the highest average of five years over the preceding ten years. The alternative benefit provides participants whose Retirement Plan benefits are affected by Internal Revenue Code benefit restrictions

**Table of Contents**

with the amount of the benefits lost by reason of those restrictions. Participants who are eligible for the primary benefit are eligible to receive the alternative benefit in lieu of the primary benefit if it provides a greater benefit at the time of retirement or other termination of employment. Benefits under SERP are payable in installments, or in certain other forms of actuarially equivalent value.

**Pension Benefits for Fiscal 2012**

The following table provides information on pension benefits for our named executive officers eligible for these benefits as of January 28, 2012:

Name	Plan Name(1)	Number of Years of Credited Service	Present Value of Accumulated Benefit(2)	Payments Made During Last Fiscal Year
Carol Meyrowitz(3)	Retirement Plan	25	\$ 480,870	
	SERP (Primary)	20	\$ 16,916,123	
Ernie L. Herrman(3)	Retirement Plan	21	\$ 314,605	
	SERP (Alternative)	21	\$ 982,131	
Jeffrey G. Naylor(3)	Retirement Plan	7	\$ 157,725	
	SERP (Alternative)	7	\$ 601,551	
Jerome Rossi(3)	Retirement Plan	15	\$ 415,578	
	SERP (Primary)	20	\$ 5,569,319	

- (1) Participants in our Retirement Plan and our alternative SERP benefit program begin to accrue credited service after one year of service with TJX. Participants under our primary SERP benefit began to accrue credited service immediately and are eligible to be credited with a maximum of 20 years of service.
- (2) The underlying valuation methodology and other material assumptions utilized in calculating the present value of the accumulated pension benefits are disclosed in Note J to our audited financial statements filed with our Annual Report on Form 10-K for fiscal 2012.
- (3) Ms. Meyrowitz, Mr. Naylor, Mr. Herrman and Mr. Rossi are fully vested in their Retirement Plan and SERP benefits. For purposes of SERP, Mr. Rossi receives credit for his years of service with Marshalls prior to its acquisition by TJX. Instead of these plans, Mr. Sweetenham participated in our U.K. retirement plan, which is not included above because it is a defined contribution plan.

**Nonqualified Deferred Compensation Plans**

We have an Executive Savings Plan, or ESP, which is a nonqualified deferred compensation plan available to key employees. Under the ESP, our U.S. named executive officers and other eligible Associates can elect to defer up to 20% of base salary and up to 100% of any MIP and LRPIP awards, our directors can elect to defer retainers and meeting fees. Our U.S. named executive officers not eligible for primary SERP benefits (currently Mr. Herrman and Mr. Naylor) are eligible to receive matching credits on base salary deferrals of up to 10% of base salary, with an enhanced level of matching credits for a period of up to 15 years. For calendar 2011, the potential match for Mr. Herrman and Mr. Naylor was 100% of their eligible deferrals, plus, if our MIP performance resulted in a payout of between 90% and 125% of the target corporate award opportunities for fiscal 2012, an additional match ranging from 50% to 150% of eligible deferrals. Mr. Herrman and Mr. Naylor earned this additional performance-based match at 142.5% based on fiscal 2012 MIP results. Matching employer credits are 50% vested after five years of plan participation and are 100% vested after ten years of plan participation, at age 55, or upon a change of control or separation from service by reason of death or disability. All amounts deferred or credited to a participant's account under the ESP are notionally invested in mutual funds or other investments available on the market. Although not required by the ESP, it is our practice to purchase the investments notionally invested under the participants' accounts, thus realizing the actual return of the notional investments.

**Table of Contents**

Under the ESP, amounts deferred are generally distributed following termination of employment unless the participant has elected an earlier distribution date, which may be no earlier than January 1st of the second year following the year of the deferral. Vested employer matching credits are distributed before age 55 upon death or separation from service due to disability, at age 55 if a participant has separated for any other reason, or upon a separation from service after age 55. Distributions are generally made in a lump sum payment; however, a participant may elect to be paid in annual installments over a period of not more than ten years in the event that his or her employment terminates after age 55. Amounts vested under the ESP prior to January 1, 2005 (and earnings on those amounts) can be distributed at the participant's request prior to termination of employment in a lump sum distribution of 85% of the vested account, with the remaining 15% forfeited. As a resident of the U.K., Mr. Sweetenham was eligible to receive annual performance-based matching credits similar to those provided under the ESP to our eligible U.S. named executive officers but this benefit was forfeited in connection with his departure at the end of fiscal 2012.

Through December 31, 2007, we offered eligible Associates (including our U.S. named executive officers) and directors the opportunity to participate in the General Deferred Compensation Plan, or GDGP, another nonqualified deferred compensation plan. Under the GDGP, participants could defer all or a portion of base salary and MIP and LRPPI awards and, in the case of directors, retainers and meeting fees, which deferrals are credited with notional interest at an annually adjusted rate based on an average yield of Treasury securities during the prior year. For calendar 2011, this rate was 3.13%. No further deferrals were permitted beginning with fiscal 2009 compensation, but previously deferred amounts continue to be credited with notional interest amounts.

Amounts deferred under the GDGP on or after January 1, 2005 (and earnings on those amounts) that had not been distributed prior to January 1, 2009 are distributed under the terms of the ESP, as described above. Amounts deferred under the GDGP prior to January 1, 2005 (and earnings on those amounts credited prior to that date) are distributed in a lump sum at termination of service or upon an event or at a date (no later than the tenth anniversary of termination of service) and in a lump sum or in monthly installments as elected by the participant. Upon a change of control, each participant receives the entire amount credited to his deferred account in a lump sum payment.

**Nonqualified Deferred Compensation for Fiscal 2012**

The following table provides information on nonqualified deferred compensation plans for our named executive officers as of January 28, 2012:

Name and Plan Name	Executive Contributions in Last FY(1)	Registrant Contributions in Last FY(2)	Aggregate Earnings in Last FY(3)	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last FYE(4)
Carol Meyrowitz					
GDGP	\$ 0	\$ 0	\$ 17,856	\$ 0	\$ 577,260
ESP	\$ 271,039	\$ 0	\$ 18,470	\$ 0	\$ 1,310,881
Ernie L. Herrman					
GDGP					
ESP	\$ 111,731	\$ 267,155	\$ 88,578	\$ 0	\$ 1,400,692
Jeffrey G. Naylor					
GDGP	\$ 0	\$ 0	\$ 4,267	\$ 0	\$ 137,949
ESP	\$ 167,500	\$ 200,524	\$ (30,195)	\$ 0	\$ 1,517,294
Jerome Rossi					
GDGP	\$ 0	\$ 0	\$ 36,555	\$ 0	\$ 1,216,057
ESP					

(1) Also included as Salary or Non-Equity Incentive Plan Compensation, as applicable, in the Summary Compensation Table.

**Table of Contents**

- (2) Includes the performance-based matching credits earned for fiscal 2012. The amounts in this column are also included in All Other Compensation column in the Summary Compensation Table.
- (3) Reflects notional market-based earnings on deferrals and other amounts credited to the account of plan participants. It is our practice to purchase the specified notional investments under the ESP, thus realizing the actual market returns on the notional investments.
- (4) The aggregate balance includes deferrals of income for prior fiscal years. Amounts deferred by individuals who were named executive officers for the fiscal year of the deferral were included in the compensation reported for those individuals in the compensation tables in prior proxy statements. The aggregate balance also includes earnings on amounts deferred and performance-based matching credits earned for fiscal 2012 but not credited until after the close of fiscal 2012.

**Potential Payments upon Termination or Change of Control**

We believe that providing severance and change of control benefits helps us attract and retain high quality executives and protect our other business interests, as discussed further in Compensation Discussion and Analysis.

*Potential Payments under our Employment and Severance Agreements.* Each of our named executive officers in fiscal 2012 was party to an employment agreement providing for payments in connection with the specified termination or change of control events generally described below. In addition, in connection with his departure at the end of fiscal 2012 Mr. Sweetenham entered into agreements with TJX and its subsidiary TJX UK that clarified and supplemented the entitlements under his employment agreement.

*Termination Other than for Cause or Constructive Termination:* For our U.S. named executive officers, if we terminate an executive's employment other than for cause or the executive terminates employment in connection with a forced relocation of more than forty miles (a constructive termination), the executive would be entitled to twenty-four months of continued base salary (for Ms. Meyrowitz, at her fiscal 2011 salary rate) and any automobile allowance; cash payments in an amount sufficient after taxes to cover the cost of any COBRA continuation of health benefits elected by the executive; cash incentive awards under MIP and LRPIP for each uncompleted year or award cycle, if applicable performance goals are met and adjusted to reflect the executive's period of service during the cycle; and equity awards in accordance with their terms (plus, for Ms. Meyrowitz, acceleration of outstanding and unvested stock options as provided under her agreement).

Under agreements entered into in connection with his departure from TJX, Mr. Sweetenham is also eligible to receive the same amount of severance benefits as described above for U.S. named executive officers (other than Ms. Meyrowitz), except that he is entitled to twelve months of automobile allowance (instead of twenty-four) and is not entitled to health coverage-related payments. Mr. Sweetenham is also eligible under these agreements for an additional year of base salary and, in respect of his performance-based restricted stock award scheduled to vest in 2012 that was forfeited under plan terms at his departure, a payment of up to £807,692.31 to the extent the performance goals applicable to such award are met. In exchange for these benefits, Mr. Sweetenham agreed to provide transition assistance and gave additional undertakings regarding non-competition, non-solicitation and other covenants and releases. The amounts payable to Mr. Sweetenham in connection with his departure are detailed in the table below.

*Death or Disability:* Upon a termination of employment by reason of death or disability, each U.S. named executive officer (or his or her legal representative) would be entitled to the same benefits as are described above, except that salary continuation would be subject to adjustment for any long-term disability benefits and the MIP award would be paid at target without proration.

*Voluntary Termination:* Our U.S. named executive officers would not be entitled to these separation benefits upon a voluntary termination (other than a constructive termination), except that if Ms. Meyrowitz voluntarily terminates her employment with 90 days notice and prior to a change of

**Table of Contents**

control, she would be entitled to salary continuation, automobile allowance, and health coverage-related payments on the same basis as if she had been involuntarily terminated without cause, as well as prorated LRPIP benefits for any full fiscal years in a cycle completed prior to the date of termination.

*End of Contract Term:* For Ms. Meyrowitz, Mr. Herrman and Mr. Naylor, a termination occurring on the last day of the agreement term would be treated as a termination other than for cause (unless, in the case of Mr. Herrman and Mr. Naylor, we make an offer of continued service in a comparable position). Mr. Rossi's agreement in effect during fiscal 2012 did not entitle him to separation benefits at the end of the agreement term, but under his new employment agreement (effective at the beginning of fiscal 2013) he would be entitled upon termination of employment at the end of the agreement term to a prorated portion of outstanding LRPIP and performance-based restricted stock awards, if applicable performance conditions are met.

*Change of Control:* Upon a change of control (with or without a termination of employment), each U.S. named executive officer would be entitled to receive a lump sum settlement at target of MIP and LRPIP awards for which the performance period or cycle had not ended (or, for Mr. Rossi, a lump sum payment equal to his target award and a prorated target award under MIP for the year of the change of control, plus his maximum award for each uncompleted LRPIP cycle), plus any benefits (including any acceleration of awards) under the SIP and our deferred compensation plans. We would also be obligated to pay legal fees and expenses the U.S. named executive officer reasonably incurs in seeking enforcement of contractual rights following a change of control. Under Mr. Rossi's new employment agreement, he would be entitled to the same MIP- and LRPIP-based payments as described above for the other U.S. named executive officers.

The events that constitute a change of control under the fiscal 2012 agreements generally consist of the following, subject to the qualifications set forth in those agreements: (i) a change of control required to be reported under the Securities Exchange Act of 1934, as amended; (ii) the acquisition of 20% or more of our common stock followed by a change in a majority of our board of directors; (iii) a proxy solicitation or solicitations followed by a change in a majority of our board of directors; and (iv) the execution of certain agreements of acquisition, merger or consolidation followed by consummation of the transactions contemplated by such agreement.

*Change of Control Followed by Qualifying Termination:* Upon a qualifying termination of employment following a change of control, each U.S. named executive officer would be entitled to receive alternative severance benefits instead of the separation-related benefits described above. The alternative severance benefits consist of a lump sum severance payment equal to two times the sum of the executive's annual base salary (for Ms. Meyrowitz, by reference to her fiscal 2011 salary rate), any annual automobile allowance and (except for Mr. Rossi) target MIP award amount; and two years of continued participation in medical and life insurance programs, except to the extent of replacement coverage. For this purpose, base salary would be adjusted for any long-term disability benefits and the target MIP amount and (except for Ms. Meyrowitz) base salary would be determined by reference to the higher of the executive's base salary immediately prior to termination or the change of control. Ms. Meyrowitz and Mr. Rossi would also be entitled to an alternative lump sum SERP benefit determined by using specified actuarial assumptions representing potential early commencement of the benefit. Under his new agreement, Mr. Rossi would be entitled to the same MIP-based payments as described above for the other U.S. named executive officers.

A qualifying termination for these purposes includes a termination by us other than for cause, by the executive for good reason (as defined in the agreements), or a termination by reason of death or disability, in each case within 24 months following a change of control. A qualifying termination does not include a voluntary termination without good reason. Under the agreement with Mr. Rossi in effect during fiscal 2012 (but not under his new agreement) the qualifying termination would also have to have occurred by the end of agreement term.

**Table of Contents**

In addition to amounts described above, the executives would remain entitled to vested and accrued, but unpaid, compensation and benefits (including earned but unpaid amounts under MIP and LRPIP). Our named executive officers would not be entitled to any tax gross-up payment for any golden parachute excise tax on change of control benefits, but payments and benefits to each executive would be reduced if and to the extent such a reduction would have put the executive in a better after-tax position.

*Potential Acceleration of Unvested Equity Awards.* Under the terms of awards granted under our SIP, each of our U.S. named executive officers would be entitled to partial vesting of stock options upon death or disability and full vesting of both stock options and stock awards upon a change of control. Ms. Meyrowitz would also be entitled to full vesting of unvested stock awards upon termination of employment by reason of death or disability. In the event of a termination without cause or a constructive termination, Ms. Meyrowitz's options vest in full and her stock awards remain subject to the satisfaction of the applicable performance conditions but applicable service-based conditions would be deemed satisfied. Following a termination of employment at the end of fiscal 2012, the executives would have been able to exercise vested options in accordance with applicable post-termination exercise periods and Mr. Rossi (had he retired at the end of fiscal 2012) would have been eligible for continued vesting of his outstanding options, in each case in accordance with the terms described above under the Grants of Plan-Based Awards in Fiscal 2012 table.

The following table sets forth aggregate estimated value of the acceleration of unvested equity awards held by each of our named executive officers assuming the triggering events occurred on January 28, 2012, all pursuant to the terms of TJX's plans and each executive's awards as in effect on such date. These amounts are also included in the potential payment table below. Mr. Sweetenham's unvested equity awards were forfeited as of January 28, 2012.

Name	Triggering Event(1)					
	Death/Disability		Termination without Cause(2)		Change of Control(3)	
	Option Awards	Stock Awards	Option Awards	Stock Awards	Option Awards	Stock Awards
Carol Meyrowitz	\$ 736,185	\$ 8,172,000	\$ 3,243,647	\$ 8,172,000	\$ 3,243,647	\$ 8,172,000
Ernie L. Herrman	\$ 507,778				\$ 2,292,384	\$ 8,215,650
Jeffrey G. Naylor	\$ 380,829				\$ 1,719,084	\$ 5,478,000
Jerome Rossi	\$ 380,829				\$ 1,719,084	\$ 2,466,360

- (1) For purposes of these estimates, we valued performance-based restricted stock and stock options using \$33.69, the closing price of our common stock on the New York Stock Exchange on January 27, 2012, the last business day of the fiscal year. We included the full value of all accelerated performance-based restricted stock awards (\$33.69 per share), plus the value of any accumulated dividends that would have been paid upon the vesting of such awards, and the spread value (\$33.69 per share minus the option exercise price) for all stock options that would have been accelerated upon a termination of employment (including by reason of death or disability) or change of control. We did not include any amounts in respect of outstanding equity awards that either were earned based on service and performance as of January 28, 2012, or that would not have accelerated upon the triggering event. See the Outstanding Equity Awards at Fiscal 2012 Year End table for more information about these equity awards. We further assumed that each executive would satisfy his or her non-competition, non-solicitation, or confidentiality agreements with us following termination.
- (2) Assumes that the performance conditions applicable to Ms. Meyrowitz's unvested stock awards would have been satisfied.
- (3) Assumes that all awards would have been cashed out at closing, and that any change of control would have qualified as a change in control event under Section 409A of the Internal Revenue Code (Section 409A).



**Table of Contents**

*Potential Acceleration of Unvested Deferred Compensation.* As noted above under Nonqualified Deferred Compensation Plans, unvested employer credit accounts under the ESP also vest in full upon a change of control or termination of employment due to death or disability. Of our named executive officers, only Mr. Naylor had an employer credit account under ESP that was not fully vested as of the end of fiscal 2012.

*Related Provisions.* Each U.S. named executive officer agreed to non-solicitation and non-competition provisions that operate during the term of employment and for twenty-four months thereafter, and to confidentiality provisions during and after employment. Benefits under the employment agreements and SERP, as well as benefits attributable to the enhanced employer match under the ESP, are also conditioned on compliance with restrictive covenants. Mr. Naylor agreed to additional restrictive covenants applicable to the stock award granted to him during fiscal 2012, as described above under Outstanding Equity Awards at Fiscal 2012 Year End. Mr. Sweetenham agreed to post-employment non-solicitation and non-competition provisions for twenty-four and eighteen months, respectively, under his agreement with TJX and for twelve months under his agreement with TJX UK, as well as post-employment confidentiality and non-disparagement provisions under both agreements. Upon a change of control, our named executive officers would no longer be subject to any covenant not to compete following a termination of employment.

The agreements and plans include terms designed to comply with the deferred compensation provisions of Section 409A, including provisions that would delay certain termination-related benefits for six months beyond termination of employment and alternative payment provisions that could apply in connection with a change of control not described in Section 409A.

**Table of Contents**

The following table sets forth aggregate estimated payment obligations to each of our U.S. named executive officers, assuming that the triggering events had occurred on January 28, 2012, all pursuant to the terms of TJX's plans and each executive's employment agreement as in effect on such date (which do not reflect the changes described above in Mr. Rossi's new agreement). Because our post-termination obligations to Mr. Sweetenham upon his departure were established as of January 28, 2012, the table below reflects only those obligations.

Triggering Event and Payments(1)	C. Meyrowitz	E. Herrman	J. Naylor	J. Rossi	P. Sweetenham(2)
Death/Disability					
Severance	\$ 3,150,000	\$ 2,200,000	\$ 1,660,000	\$ 1,560,000	\$
MIP/LRPIP(3)	3,356,667	1,813,333	1,235,000	761,970	
Acceleration of Unvested Equity Awards(4)	8,908,185	507,778	380,829	380,829	
Deferred Compensation Enhancement(5)			276,503		
Health, Life, and/or Automobile Benefits	106,779	118,671	106,779	118,671	
<b>Total(6)</b>	<b>\$ 15,521,631</b>	<b>\$ 4,639,782</b>	<b>\$ 3,659,111</b>	<b>\$ 2,821,470</b>	<b>\$</b>
Voluntary Termination with 90 Days Notice					
Severance	\$ 3,150,000	\$	\$	\$	\$
LRPIP(3)	1,376,667				
Health, Life, and/or Automobile Benefits	106,779				
<b>Total</b>	<b>\$ 4,633,446</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Termination without Cause/Constructive					
Termination					
Severance	\$ 3,150,000	\$ 2,200,000	\$ 1,660,000	\$ 1,560,000	\$ 2,550,000
MIP/LRPIP(3)	1,376,667	933,333	700,000	375,000	700,000
Acceleration of Unvested Equity Awards(4)	11,415,647				
Health, Life and/or Automobile Benefits	106,779	118,671	106,779	118,671	35,904
Additional Payments(7)					
<b>Maturity Date</b>	<b>Coupon Rate</b>	<b>Amount</b>	<b>Value</b>		
<b>GOVERNMENT &amp; AGENCY OBLIGATIONS 17.71%</b>					
<b>Non-U.S. Government Obligations 2.87%</b>					
United Kingdom Treasury					
09/07/2015	4.750%	\$ 2,800,000	\$ 5,106,934		
<b>U.S. Government Obligations 14.84%</b>					
Federal Farm Credit Bank					
09/29/2011	4.050%	1,000,000	999,279		
05/01/2013	4.250%	1,310,000	1,306,285		
U.S. Treasury Bond					
06/30/2012	4.875%	600,000	648,235		
02/15/2014(d)	4.000%	2,000,000	2,101,408		

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08/15/2016(d)	4.875%	3,900,000	4,222,666
05/15/2017(d)	4.500%	3,000,000	3,159,141
08/15/2017(d)	4.750%	5,500,000	5,891,445
08/15/2018(d)	4.000%	1,000,000	1,013,751
02/15/2025(d)	7.625%	1,500,000	2,064,611
05/15/2038(d)	4.500%	1,750,000	1,802,502
U.S.Treasury Note			
05/31/2012(d)	4.750%	2,000,000	2,150,158
07/31/2012(d)	4.625%	1,000,000	1,072,579
			26,432,060

**TOTAL GOVERNMENT &  
AGENCY OBLIGATIONS**

(Cost \$31,188,837) 31,538,994

**STRUCTURED NOTES 1.17%**

Merrill Lynch & Co., Inc

01/29/2022(b) (e) (f) 9.580% 4,000,000 2,080,000

**TOTAL STRUCTURED NOTES**

(Cost \$4,000,000) 2,080,000

	Expiration Date	Exercise Price	Number of Contracts	Value
<b>PURCHASED OPTIONS 4.47%</b>				
<b>Purchased Call Options 0.04%</b>				
Petroleo Brasileiro S.A.	January, 2009	\$ 60.00	500	73,750
<b>TOTAL PURCHASED CALL OPTIONS</b>				
(Cost \$511,528)				73,750

	Expiration Date	Exercise Price	Number of Contracts	Value
<b>Purchased Put Options 4.43%</b>				
Energy Select Sector SPDR Fund	December, 2008	\$ 70.00	2,500	\$ 2,175,000
Oil Service HOLDERS Trust	October, 2008	170.00	500	1,136,250
Oil Service HOLDERS Trust	January, 2009	160.00	800	1,746,000
S&P 500 Index	December, 2008	1,250.00	250	2,837,500

**TOTAL PURCHASED PUT OPTIONS**  
(Cost \$5,077,565) 7,894,750

**TOTAL PURCHASED OPTIONS**  
(Cost \$5,589,093) 7,968,500

	7 Day Yield	Shares	Value
<b>SHORT TERM INVESTMENTS 4.75%</b>			
Dreyfus Treasury Prime Money Market Fund (g)	0.695%	8,450,411	8,450,411
<b>TOTAL SHORT TERM INVESTMENTS</b> (Cost \$8,450,411) 8,450,411			
<b>Total Investments - 152.06%</b> (Cost \$308,170,449) 270,807,757			
Liabilities in Excess of Other Assets - (52.06%) (92,710,289)			
<b>NET ASSETS - 100.00%</b> \$ 178,097,468			

	Expiration Date	Exercise Price	Number of Contracts	Value
<b>SCHEDULE OF OPTIONS WRITTEN</b>				
<b>Call Options Written</b>				
Petroleo Brasileiro S.A.	January, 2009	\$ 75.00	500	\$ (15,000)
<b>TOTAL CALL OPTIONS WRITTEN</b> (Premiums received \$234,066) (15,000)				

<b>Put Options Written</b>				
Energy Select Sector SPDR Fund	December, 2008	63.00	2,500	(1,150,000)
Oil Service HOLDERS Trust	October, 2008	140.00	500	(203,750)
Oil Service HOLDERS Trust	January, 2009	140.00	800	(886,000)
S&P 500 Index	December, 2008	1,175.00	250	(1,805,000)

**TOTAL PUT OPTIONS WRITTEN**  
(Premiums received \$2,565,240) (4,044,750)

**TOTAL OPTIONS WRITTEN**  
(Premiums received \$2,799,306) \$ (4,059,750)

**SCHEDULE OF SECURITIES SOLD SHORT**

<b>Name</b>	<b>Shares</b>	<b>Value</b>
Aluminum Corp. of China, Ltd.	(33,900)	\$ (513,585)
Amazon.com, Inc.	(14,600)	(1,062,296)
Ameriprise Financial, Inc.	(14,300)	(546,260)
ArcelorMittal	(1,400)	(69,132)
Ashland, Inc.	(3,700)	(108,188)
BHP Billiton, Ltd - ADR	(14,100)	(733,059)
Boston Properties, Inc.	(4,300)	(402,738)
Cia Vale do Rio Doce - ADR	(18,374)	(351,862)
CNOOC, Ltd.	(2,800)	(320,628)
Dawson Geophysical Co.	(1,400)	(65,366)
Financial Select Sector SPDR	(121,400)	(2,402,506)
General Motors Corp.	(30,797)	(291,032)
Harley-Davidson, Inc.	(6,300)	(234,990)
iShares Dow Jones US Real Estate Index Fund	(73,300)	(4,540,935)
iShares FTSE/Xinhua China 25 Index Fund	(126,973)	(4,376,759)
iShares MSCI Brazil Fund	(41,709)	(2,359,478)
iShares MSCI Emerging Markets Fund	(142,800)	(4,930,884)
iShares MSCI Mexico Investable Market Index Fund	(46,576)	(2,173,702)
iShares Russell 2000 Index Fund	(70,000)	(4,760,000)
iShares S&P 500 Index Fund	(9,800)	(1,151,500)
Las Vegas Sands Corp.	(12,400)	(447,764)
Li & Fung, Ltd.	(103,000)	(246,462)
Martin Marietta Materials, Inc.	(4,300)	(481,514)
Medtronic, Inc.	(13,000)	(651,300)
Metavante Technologies, Inc.	(144)	(2,773)
Mohawk Industries, Inc.	(2,989)	(201,429)
Nippon Steel Corp.	(210,000)	(764,139)
Salesforce.com, Inc.	(6,300)	(304,920)
Stone Energy Corp.	(7,600)	(321,708)
Swift Energy Co.	(12,923)	(499,991)
Tiffany & Co.	(16,200)	(575,424)
Vanguard Emerging Markets ETF	(58,000)	(2,010,280)
Wynn Resorts, Ltd.	(9,300)	(759,252)
<b>TOTAL SECURITIES SOLD SHORT</b>		
(Proceeds \$46,576,106)		\$ (38,661,856)

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*ADR - American Depositary Receipt*

*AG - Aktiengesellschaft is a German acronym on company names meaning public company*

*ASA - Allmennaksjeselskap is the Norwegian term for a public limited company*

*BHD - Berhad (in Malaysia; equivalent to Public Limited Company)*

*ETF - Exchange Traded Fund*

*GDR - Global Depositary Receipt*

*JSFC - Joint Stock Financial Corporation*

*LLC - Limited Liability Company*

*N.V. - Naamloze Vennootschap is the Dutch term for a public limited liability corporation*

*OJSC - Open Joint Stock Company*

*PCL - Public Company Limited*

*PLC - Public Limited Company*

*PT - equivalent to Public Limited Company in Indonesia*

*REMICS - Real Estate Mortgage Investment Conduits*

*S.A. - Generally designates corporations in various countries, mostly those employing the civil law.*

*SPDR - Standard & Poor's Depositary Receipt*

*Tbk - Terbuka (stock symbol in Indonesian)*

*Notes to Statement of Investments:*

- (a) Non-Income Producing Security.*
- (b) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. As of September 30, 2008, these securities had a total value of \$4,752,389 or 2.67% of total net assets.*
- (c) Private Placement; these securities may only be resold in transactions exempt from registration under the Securities Act of 1933. As of September 30, 2008, these securities had a total value of \$564,340 or 0.32% of total net assets.*
- (d) Security, or portion of security, is being held as collateral for written options and/or short sales.*
- (e) Fair valued security; valued in accordance with procedures approved by the Fund's Board of Trustees. As of September 30, 2008, these securities had a total value of \$3,835,828 or 2.15% of total net assets.*

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- (f) *Floating or variable rate security - rate disclosed as of September 30, 2008.*
- (g) *Investments in other funds are calculated at their respective net asset values as determined by those funds, in accordance with the Investment Company Act of 1940.*

*See Notes to Financial Statements.*

## STATEMENT OF ASSETS &amp; LIABILITIES

September 30, 2008 (Unaudited)

<b>Assets:</b>		
Investments, at value (Cost - see below)	\$	270,807,757
Cash		437,836
Foreign currency, at value (Cost \$17,857)		17,867
Deposit with broker for securities sold short and written options		22,925,361
Dividends receivable		470,327
Interest receivable		562,402
Receivable for investments sold		18,688,810
Total Assets		313,910,360
<b>Liabilities:</b>		
Loan payable		82,306,280
Interest due on loan payable		201,966
Securities sold short (Proceeds \$46,576,106)		38,661,856
Options written at value (Premiums received \$2,799,306)		4,059,750
Payable for investments purchased		10,181,731
Dividends payable - short sales		70,965
Interest payable - margin account		32,086
Accrued investment advisory fee		198,366
Accrued administration fee		80,763
Accrued trustees fee		19,129
Total Liabilities		135,812,892
Net Assets	\$	178,097,468
Cost of investments	\$	308,170,449
<b>Composition of Net Assets:</b>		
Paid-in capital		200,586,886
Overdistributed net investment income		(8,953,152)
Accumulated net realized gain on investments, options, securities sold short and foreign currency transactions		17,173,437
Net unrealized depreciation in value of investments, options, securities sold short and translation of assets and liabilities denominated in foreign currencies		(30,709,703)
Net Assets	\$	178,097,468
Shares of common stock outstanding of no par value, unlimited shares authorized		10,434,606
Net asset value per share	\$	17.07

*See Notes to Financial Statements*



## STATEMENT OF OPERATIONS

For the Six Months Ended September 30, 2008 (Unaudited)

<b>Investment Income:</b>	
Dividends (Net of foreign withholding taxes of \$101,250)	\$ 3,217,485
Interest on investment securities	1,863,810
Miscellaneous income	553
<b>Total Income</b>	<b>5,081,848</b>
<b>Expenses:</b>	
Investment advisory fee	1,351,873
Administration fee	550,405
Interest on loan	1,064,682
Trustees fee	68,870
Dividend expense - short sales	496,757
Broker/dealer fees	33,639
Interest expense - margin account	171,373
Miscellaneous	2,887
<b>Total Expenses</b>	<b>3,740,486</b>
<b>Net Investment Income</b>	<b>1,341,362</b>
<b>Net realized gain (loss) on:</b>	
Investment securities	(2,106,405)
Securities sold short	7,323,012
Written options	3,279,730
Foreign currency transactions	22,556
Net change in unrealized appreciation/(depreciation) on investments, options, securities sold short and translation of assets and liabilities denominated in foreign currencies	(46,977,057)
Net loss on investments, options, securities sold short and foreign currency transactions	(38,458,164)
Distributions to Preferred Shareholders from:	
Net investment income	(544,694)
<b>Net Decrease in Net Assets Attributable to Common Shares from Operations</b>	<b>\$ (37,661,496)</b>

*See Notes to Financial Statements*

## STATEMENT OF CHANGES IN NET ASSETS

	For the Six Months Ended September 30, 2008 (Unaudited)	For the Year Ended March 31, 2008
<b>Common Shareholder Operations:</b>		
Net investment income	\$ 1,341,362	\$ 4,846,452
Net realized gain (loss) from:		
Investment securities	(2,106,405)	19,092,394
Securities sold short	7,323,012	919,033
Written options	3,279,730	1,460,498
Foreign currency transactions	22,556	(26,124)
Net change in unrealized appreciation/depreciation on investments, options, securities sold short and translation of assets and liabilities denominated in foreign currencies	(46,977,057)	(6,199,564)
Distributions to Preferred Shareholders from:		
Net investment income	(544,694)	(4,352,185)
Net realized gains		(778,500)
Net Increase/(Decrease) in Net Assets Attributable to Common Shares from Operations	(37,661,496)	14,962,004
<b>Distributions to Common Shareholders:</b>		
From net investment income	(9,599,839)	(17,947,521)
From net realized gains		(7,617,262)
Net Decrease in Net Assets from Distributions	(9,599,839)	(25,564,783)
Net Decrease in Net Assets Attributable to Common Shares	(47,261,335)	(10,602,779)
<b>Net Assets Attributable to Common Shares:</b>		
Beginning of period	225,358,803	235,961,582
End of period*	\$ 178,097,468	\$ 225,358,803
<hr/>		
* Includes overdistributed net investment income of:	\$ (8,953,152)	\$ (149,981)

See Notes to Financial Statements

## STATEMENT OF CASH FLOWS

For the Six Months Ended September 30, 2008 (Unaudited)

<b>Common Shareholder Operations:</b>	
Net decrease in net assets from operations	\$ (37,661,496)
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:	
Purchase of investment securities	(266,794,753)
Proceeds from disposition of investment securities	276,850,828
Net realized loss from investment securities	2,106,405
Net proceeds from short-term investment securities	16,081,743
Net change in unrealized depreciation on investment securities	46,977,057
Premium amortization	69,465
Discount amortization	(21,358)
Decrease in deposits with brokers for securities sold short and written options	3,846,934
Increase in receivable for investments sold	(14,270,869)
Increase in dividends receivable	(20,575)
Increase in interest receivable	(88,460)
Decrease in other assets	15,170
Increase in interest due on loan payable	201,966
Decrease in securities sold short	(5,002,637)
Increase in options written at value	2,059,450
Decrease in payable for investments purchased	(2,343,680)
Increase in dividends payable short sales	22,819
Increase in interest payable - margin account	29,878
Decrease in accrued investment advisory fee	(25,012)
Decrease in accrued administration fee	(10,184)
Increase in accrued trustee fee	5,743
Decrease in other payables	(5,388)
<b>Net Cash Provided by Operating Activities</b>	<b>22,023,046</b>
<b>Cash Flows From Financing Activities:</b>	
Net proceeds from bank borrowing	82,306,280
Redemption of auction market preferred shares	(95,051,829)
Cash distributions paid	(10,144,533)
<b>Net Cash Used in Financing Activities</b>	<b>(22,890,082)</b>
<b>Net decrease in cash</b>	<b>(867,036)</b>
<b>Cash and foreign currency, beginning balance</b>	<b>\$ 1,322,739</b>
<b>Cash and foreign currency, ending balance</b>	<b>\$ 455,703</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>	
Cash paid during the period for interest from bank borrowing:	\$ 862,716

See Notes to Financial Statements

## FINANCIAL HIGHLIGHTS

	For the Six Months Ended September 30, 2008 (unaudited)	For the Year Ended March 31, 2008	For the Year Ended March 31, 2007	For the Period June 1, 2005 to March 31, 2006 <sup>^</sup>	For the Period July 28, 2004 (inception) to May 31, 2005
<b>Per Common Share Operating Performance</b>					
Net asset value - beginning of period	\$ 21.60	\$ 22.61	\$ 24.42	\$ 20.78	\$ 19.10
Income from investment operations:					
Net investment income	0.13*	0.46*	1.79	0.92	0.93
Net realized and unrealized gain (loss) on investments	(3.69)	1.47	(0.98)	4.75	1.99
Distributions to Preferred Shareholders from:					
Net investment income	(0.05)	(0.49)	(0.47)	(0.31)	(0.14)
Total from Investment Operations	(3.61)	1.44	0.34	5.36	2.78
<b>Distributions to Common Shareholders from:</b>					
Net investment income	(0.92)	(1.72)	(1.44)	(1.05)	(0.93)
Net realized gain	(0.00)	(0.73)	(0.71)	(0.67)	(0.00)
Total Distributions to Common Shareholders	(0.92)	(2.45)	(2.15)	(1.72)	(0.93)
<b>Capital Share Transactions:</b>					
Common share offering costs charged to paid-in capital					(0.04)
Preferred share offering costs and sales load charged to paid-in capital					(0.13)
Total Capital Share Transactions					(0.17)
Net asset value - end of period	\$ 17.07	\$ 21.60	\$ 22.61	\$ 24.42	\$ 20.78
Market price - end of period	\$ 13.56	\$ 18.90	\$ 20.82	\$ 23.99	\$ 22.59
<b>Total Investment Return - Net Asset Value (1):</b>	(17.28%)	7.10%	1.59%	25.99%	13.89%
<b>Total Investment Return - Market Price (1):</b>	(24.90%)	1.77%	(4.77%)	13.85%	18.24%
<b>Ratios and Supplemental Data</b>					
Net assets attributable to common shares, end of period (000)	\$ 178,097	\$ 225,359	\$ 235,962	\$ 248,354	\$ 205,260
Ratios to average net assets attributable to common shareholders:					
Net expenses (3)	3.34%(2)	2.10%	2.02%	2.07%(2)	1.89%(2)
Net expenses excluding interest expense (3)	2.39%(2)	(5)	(5)	(5)	(5)
Net expenses excluding dividends on short sales (3)	2.89%(2)	1.85%	1.75%	1.83%(2)	1.54%(2)
Net investment income (3)	1.20%(2)	2.02%	2.63%	2.73%(2)	1.23%(2)
Preferred share dividends	0.49%(2)	2.14%	2.10%	1.62%(2)	0.82%(2)
Portfolio turnover rate	82%	136%	187%	182%	236%
<b>Auction Market Preferred Shares ( AMPS )</b>					
Liquidation value, end of period, including dividends on preferred shares (000)	(5\$)	95,052	\$ 95,042	\$ 95,051	\$ 95,050

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Total shares outstanding (000)	(5)	3.8		3.8		3.8		3.8	
Asset coverage per share (4)	(5\$)	84,319	\$	87,106	\$	90,370	\$	79,029	
Liquidation preference per share	(5\$)	25,000	\$	25,000	\$	25,000	\$	25,000	
Average market value per share	(6)	(5\$)	25,000	\$	25,000	\$	25,000	\$	25,000

\* Based on average shares outstanding

- (1) Total investment return is calculated assuming a purchase of a common share at the opening on the first day and a sale at closing on the last day of each period reported. Total investment return on net asset value excludes a sales load of \$0.90 per share for the period, effectively reducing the net asset value at issuance from \$20.00 to \$19.10. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions on the purchase or sale of the Fund's common shares. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.
  - (2) Annualized.
  - (3) Ratios do not reflect dividend payments to preferred shareholders.
  - (4) Calculated by subtracting the Fund's total liabilities (excluding Preferred Shares) from the Fund's total assets and dividing by the number of preferred shares outstanding.
  - (5) All series of AMPS issued by the Fund were fully redeemed, at par value, on May 22, 2008. A borrowing facility replaced the AMPS, as the Fund's form of leverage, May 22, 2008.
  - (6) Based on monthly prices.
- ^ As approved by the Board of Trustees of the Fund, the fiscal year-end changed from May 31 to March 31, effective March 15, 2006.

*See Notes to Financial Statements*

## NOTES TO FINANCIAL STATEMENTS

September 30, 2008 (Unaudited)

### 1. SIGNIFICANT ACCOUNTING AND OPERATING POLICIES

Clough Global Allocation Fund (the Fund) is a closed-end management investment company that was organized under the laws of the state of Delaware by an Amended Agreement and Declaration of Trust dated April 27, 2004. The Fund is a non-diversified series with an investment objective to provide a high level of total return. The Declaration of Trust provides that the Trustees may authorize separate classes of shares of beneficial interest.

**Security Valuation:** The net asset value per Share of the Fund is determined no less frequently than daily, on each day that the American Stock Exchange (the Exchange) is open for trading, as of the close of regular trading on the Exchange (normally 4:00 p.m. New York time). Trading may take place in foreign issues held by the Fund at times when the Fund is not open for business. As a result, the Fund's net asset value may change at times when it is not possible to purchase or sell shares of the Fund. Securities held by the Fund for which exchange quotations are readily available are valued at the last sale price, or if no sale price or if traded on the over-the-counter market, at the mean of the bid and asked prices on such day. Debt securities for which the over-the-counter market is the primary market are normally valued on the basis of prices furnished by one or more pricing services at the mean between the latest available bid and asked prices. As authorized by the Trustees, debt securities (other than short-term obligations) may be valued on the basis of valuations furnished by a pricing service which determines valuations based upon market transactions for normal, institutional-size trading units of securities. Short-term obligations maturing within 60 days are valued at amortized cost, which approximates value, unless the Trustees determine that under particular circumstances such method does not result in fair value. Over-the-counter options are valued at the mean between bid and asked prices provided by dealers. Financial futures contracts listed on commodity exchanges and exchange-traded options are valued at closing settlement prices. Securities for which there is no such quotation or valuation and all other assets are valued at fair value in good faith by or at the direction of the Trustees.

**Foreign Securities:** The Fund may invest a portion of its assets in foreign securities. In the event that the Fund executes a foreign security transaction, the Fund will generally enter into a forward foreign currency contract to settle the foreign security transaction. Foreign securities may carry more risk than U.S. securities, such as political, market and currency risks.

The accounting records of the Fund are maintained in U.S. dollars. Prices of securities denominated in foreign currencies are translated into U.S. dollars at the closing rates of exchange at period end. Amounts related to the purchase and sale of foreign securities and investment income are translated at the rates of exchange prevailing on the respective dates of such transactions.

The effect of changes in foreign currency exchange rates on investments is included with the fluctuations arising from changes in market values of securities held and reported with all other foreign currency gains and losses in the Fund's Statement of Operations.

A foreign currency contract is a commitment to purchase or sell a foreign currency at a future date, at a negotiated rate. The Fund may enter into foreign currency contracts to settle specific purchases or sales of securities denominated in a foreign currency and for protection from adverse exchange rate fluctuation. Risks to the Fund include the potential inability of the counterparty to meet the terms of the contract.

The net U.S. dollar value of foreign currency underlying all contractual commitments held by the Fund and the resulting unrealized appreciation or depreciation are determined using prevailing forward foreign currency exchange rates. Unrealized appreciation

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2008 (Unaudited)

and depreciation on foreign currency contracts are reported in the Fund's Statement of Assets and Liabilities as a receivable or a payable and in the Fund's Statement of Operations with the change in unrealized appreciation or depreciation. There were no outstanding foreign currency contracts for the Fund as of September 30, 2008.

The Fund may realize a gain or loss upon the closing or settlement of the foreign transaction. Such realized gains and losses are reported with all other foreign currency gains and losses in the Statement of Operations.

**Fair Valuation:** If the price of a security is unavailable in accordance with the Fund's pricing procedures, or the price of a security is suspect, e.g., due to the occurrence of a significant event, the security may be valued at its fair value determined pursuant to procedures adopted by the Board of Trustees. For this purpose, fair value is the price that the Fund reasonably expects to receive on a current sale of the security. Due to the number of variables affecting the price of a security, however; it is possible that the fair value of a security may not accurately reflect the price that the Fund could actually receive on a sale of the security. As of September 30, 2008, securities which have been fair valued represented 2.15% of the Fund's net assets.

The Fund adopted the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157 ( FAS 157 ), Fair Value Measurements, on April 1, 2008. FAS 157 established a three-tier hierarchy to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability that are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability that are developed based on the best information available.

Various inputs are used in determining the value of each Fund's investments as of the reporting period end. These inputs are categorized in the following hierarchy under applicable financial accounting standards:

Level 1 Quoted prices in active markets for identical investments

Level 2 Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 Significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The following is a summary of the inputs used to value the Fund's investments as of September 30, 2008.



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Valuation Inputs		Investments in Securities at Value		Other Financial Instruments* Unrealized Appreciation (Depreciation)
Level 1 - Quoted Prices	\$		201,596,878	\$
Level 2 - Other Significant Observable Inputs	\$		69,068,379	\$
Level 3 - Significant Unobservable Inputs	\$		142,500	\$
Total	\$		270,807,757	\$

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\* Other financial instruments include futures, forwards and swap contracts.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2008 (Unaudited)

The following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value:

		Investments in Securities	Other Financial Instruments (OFI)	OFI Market Value
Balance as of 3/31/08	\$	562,500		
Realized gain/(loss)				
Change in unrealized appreciation/(depreciation)		(420,000)		
Net purchases/(sales)				
Transfers in and/or out of level 3				
Balance as of 9/30/08	\$	142,500		

**Options:** The Fund may purchase or write (sell) put and call options. One of the risks associated with purchasing an option among others, is that the Fund pays a premium whether or not the option is exercised. Additionally, the Fund bears the risk of loss of premium and change in market value should the counterparty not perform under the contract. Put and call options purchased are accounted for in the same manner as portfolio securities. The cost of securities acquired through the exercise of call options is increased by premiums paid. The proceeds from securities sold through the exercise of put options are decreased by the premiums paid.

When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current value of the option written. Premiums received from writing options that expire unexercised are treated by the Fund on the expiration date as realized gains from investments. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the Fund has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the Fund. The Fund, as writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option. Written and purchased options are non-income producing securities.

Written option activity for the six months ended September 30, 2008 was as follows:

Written Call Options	Contracts	Premiums
Outstanding, March 31, 2008		\$
Positions opened	883	775,874
Closed	(383)	(541,808)
Outstanding, September 30, 2008	500	\$ 234,066
Market Value September 30 2008		\$ 15 000

Written Put Options	Contracts	Premiums
Outstanding, March 31, 2008	7,490	\$ 3,332,650

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Positions opened	6,050		3,055,413
Exercised	(2,500)		(840,620)
Expired	(6,990)		(2,982,203)
Outstanding, September 30, 2008	4,050	\$	2,565,240
Market Value September 30 2008		\$	4 044 750

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2008 (Unaudited)

**Short Sales:** The Fund may sell a security it does not own in anticipation of a decline in the fair value of that security. When the Fund sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. A gain, limited to the price at which the Fund sold the security short, or a loss, unlimited in size, will be recognized upon the termination of the short sale.

**Income Taxes:** The Fund's policy is to comply with the provisions of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. Therefore, no federal income tax provision is required.

Effective April 1, 2007, the Fund adopted FASB Interpretation No. 48 ( FIN 48 ) Accounting for Uncertainty in Income Taxes, which requires that the financial statement effects of a tax position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Management has concluded that the Fund has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of FIN 48. The Fund files income tax returns in the U.S. federal jurisdiction and Colorado. The statute of limitations on the Fund's federal and state tax filings remains open for the fiscal years ended March 31, 2008, March 31, 2007, March 31, 2006, and May 31, 2005.

**Distributions to Shareholders:** The Fund intends to make a level dividend distribution each quarter to Common Shareholders after payment of interest on any outstanding borrowings or dividends on any outstanding preferred shares. The level dividend rate may be modified by the Board of Trustees from time to time. Any net capital gains earned by the Fund are distributed at least annually to the extent necessary to avoid federal income and excise taxes. Distributions to shareholders are recorded by the Fund on the ex-dividend date. The Fund has applied to the Securities and Exchange Commission for an exemption from Section 19(b) of the 1940 Act and Rule 19b-1 thereunder permitting the Fund to make periodic distributions of long-term capital gains, provided that the distribution policy of the Fund with respect to its Common Shares calls for periodic (e.g., quarterly/monthly) distributions in an amount equal to a fixed percentage of the Fund's average net asset value over a specified period of time or market price per common share at or about the time of distribution or pay-out of a level dollar amount.

**Securities Transactions and Investment Income:** Investment security transactions are accounted for as of trade date. Dividend income is recorded on the ex-dividend date. Certain dividend income from foreign securities will be recorded as soon as the Fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date and may be subject to with-holding taxes in these jurisdictions. Interest income, which includes amortization of premium and accretion of discount, is accrued as earned. Realized gains and losses from securities transactions and unrealized appreciation and depreciation of securities are determined using the highest cost basis for both financial reporting and income tax purposes.

**Use of Estimates:** The Fund's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. This requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from these estimates.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2008 (Unaudited)

**Recent Accounting Pronouncements:** In March 2008 the FASB issued FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities ( SFAS No. 161 ), which is intended to improve financial reporting about derivative instruments and hedging activities. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Fund is currently evaluating the potential impact, if any, the adoption of SFAS No. 161 will have on the Fund's financial statements.

**2. TAXES**

Net unrealized appreciation/depreciation of investments based on federal tax cost as of September 30, 2008 were as follows:

Gross appreciation (excess of value over tax cost)	\$	6,599,935
Gross depreciation (excess of tax cost over value)		(48,221,852)
Net unrealized depreciation		(41,621,917)
Cost of investments for income tax purposes	\$	312,429,674

**3. CAPITAL TRANSACTIONS**

**Common Shares:** There are an unlimited number of no par value common shares of beneficial interest authorized. Of the 10,434,606 common shares outstanding on September 30, 2008, ALPS Fund Services ( ALPS ) owned 5,236 shares.

Transactions in common shares were as follows:

	For the Six Months Ended September 30, 2008	For the Year Ended March 31, 2008
Common shares outstanding - beginning of period	10,434,606	10,434,606
Common shares issued as reinvestment of dividends		
Common shares outstanding - end of period	10,434,606	10,434,606

**Preferred Shares:** In April 2008 the Fund announced its intent to redeem all outstanding shares of its Auction Market Preferred Shares ( AMPS ). Proper notice was sent to AMPS holders on or before May 22, 2008, and all outstanding AMPS issued by the Fund were redeemed at par, in their entirety, pursuant to their terms.

The Fund obtained overnight collateralized financing to provide new funding in order to redeem the AMPS and provide up to 33% leverage to the Fund going forward. The Fund's Board of Trustees approved the refinancing in April 2008. The overnight facility is expected to lower the costs of leverage. Also see Note 6 Leverage, for further information on the borrowing facility used by the Fund as of September 30, 2008.

#### **4. PORTFOLIO SECURITIES**

Purchases and sales of investment securities, other than short-term securities, for the six months ended September 30, 2008 aggregated \$266,794,753 and \$276,850,828, respectively. Purchases and sales of U.S. government and agency securities, other than short-term securities, for the year ended September 30, 2008 aggregated \$29,435,238 and \$21,638,821, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2008 (Unaudited)

**5. INVESTMENT ADVISORY AND ADMINISTRATION AGREEMENTS**

Clough Capital Partners L.P. ( Clough ) serves as the Fund's investment adviser pursuant to an Investment Advisory Agreement with the Fund. As compensation for its services to the Fund, Clough receives an annual investment advisory fee of 0.70% based on the Fund's average daily total assets, computed daily and payable monthly. ALPS serves as the Fund's administrator pursuant to an Administration, Bookkeeping and Pricing Services Agreement with the Fund. As compensation for its services to the Fund, ALPS receives an annual administration fee of 0.285% based on the Fund's average daily total assets, computed daily and payable monthly. ALPS will pay all expenses incurred by the Fund, with the exception of advisory fees, trustees' fees, portfolio transaction expenses, litigation expenses, taxes, cost of preferred shares, expenses of conducting repurchase offers for the purpose of repurchasing fund shares, and extraordinary expenses.

**6. LEVERAGE**

On May 22, 2008 the Fund entered into an overnight collateralized lending arrangement ( borrowing facility ). The Fund may draw or pay certain amounts on a daily basis to maintain leverage in the Fund near its anticipated level of 33% of total assets. The Fund has pledged all securities in its portfolio as collateral for the borrowing facility. As of September 30, 2008 the market value of the securities pledged as collateral for the borrowing facility totaled \$201,850,804. The Fund pays interest at a rate of 85 bps per annum above the current U.S. Federal Funds rate. For the six months ended September 30, 2008 the average cost of borrowing was 2.83% and the average outstanding principal amount was \$73,961,360.

**7. OTHER**

The Independent Trustees of the Fund receive a quarterly retainer of \$3,500 and an additional \$1,500 for each meeting attended. The Chairman of the Board of Trustees receives a quarterly retainer of \$4,200 and an additional \$1,800 for each meeting attended. The Chairman of the Audit Committee receives a quarterly retainer of \$3,850 and an additional \$1,650 for each meeting attended.



DIVIDEND REINVESTMENT PLAN

September 30, 2008 (Unaudited)

Unless the registered owner of Common Shares elects to receive cash by contacting The Bank of New York Mellon (the Plan Administrator or BNY Mellon), all dividends declared on Common Shares will be automatically reinvested by the Plan Administrator for shareholders in the Fund's Dividend Reinvestment Plan (the Plan), in additional Common Shares. Shareholders who elect not to participate in the Plan will receive all dividends and other distributions in cash paid by check mailed directly to the shareholder of record (or, if the Common Shares are held in street or other nominee name, then to such nominee) by BNY Mellon as dividend disbursing agent. You may elect not to participate in the Plan and to receive all dividends in cash by contacting BNY Mellon, as dividend disbursing agent, at the address set forth below. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by notice if received and processed by the Plan Administrator prior to the dividend record date; otherwise such termination or resumption will be effective with respect to any subsequently declared dividend or other distribution. Some brokers may automatically elect to receive cash on your behalf and may re-invest that cash in additional Common Shares for you. If you wish for all dividends declared on your Common Shares to be automatically reinvested pursuant to the Plan, please contact your broker.

The Plan Administrator will open an account for each Common Shareholder under the Plan in the same name in which such Common Shareholder's Common Shares are registered. Whenever the Fund declares a dividend or other distribution (together, a Dividend) payable in cash, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in Common Shares. The Common Shares will be acquired by the Plan Administrator for the participants' accounts, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized Common Shares from the Fund (Newly Issued Common Shares) or (ii) by purchase of outstanding Common Shares on the open market (Open-Market Purchases) on the American Stock Exchange or elsewhere. If, on the payment date for any Dividend, the closing market price plus estimated brokerage commissions per Common Share is equal to or greater than the net asset value per Common Share, the Plan Administrator will invest the Dividend amount in Newly Issued Common Shares on behalf of the participants. The number of Newly Issued Common Shares to be credited to each participant's account will be determined by dividing the dollar amount of the Dividend by the net asset value per Common Share on the payment date; provided that, if the net asset value is less than or equal to 95% of the closing market value on the payment date, the dollar amount of the Dividend will be divided by 95% of the closing market price per Common Share on the payment date. If, on the payment date for any Dividend, the net asset value per Common Share is greater than the closing market value plus estimated brokerage commissions, the Plan Administrator will invest the Dividend amount in Common Shares acquired on behalf of the participants in Open-Market Purchases. In the event of a market discount on the payment date for any Dividend, the Plan Administrator will have until the last business day before the next date on which the Common Shares trade on an ex-dividend basis or 30 days after the payment date for such Dividend, whichever is sooner (the Last Purchase Date), to invest the Dividend amount in Common Shares acquired in Open-Market Purchases. If, before the Plan Administrator has completed its Open-Market Purchases, the market price per Common Share exceeds the net asset value per Common Share, the average per Common Share purchase price paid by the Plan Administrator may exceed the net asset value of the Common Shares, resulting in the acquisition of fewer Common Shares than if the Dividend had been paid in Newly Issued Common Shares on the Dividend payment date. Because of the foregoing difficulty with respect to Open-Market Purchases, the Plan

provides that if the Plan Administrator is unable to invest the full Dividend amount in Open-Market Purchases during the purchase period or if the market discount shifts to a market premium during the purchase period, the Plan Administrator may cease making Open-Market Purchases and may invest the uninvested portion of the Dividend amount in Newly Issued Common Shares at the net asset value per Common Share at the close of business on the Last Purchase Date provided that, if the net asset value is less than or equal to 95% of the then current market price per Common Share; the dollar amount of the Dividend will be divided by 95% of the market price on the payment date.

The Plan Administrator maintains all shareholders' accounts in the Plan and furnishes written confirmation of all transactions in the accounts, including information needed by shareholders for tax records. Common Shares in the account of each Plan participant will be held by the Plan Administrator on behalf of the Plan participant, and each shareholder proxy will include those shares purchased or received pursuant to the Plan. The Plan Administrator will forward all proxy solicitation materials to participants and vote proxies for shares held under the Plan in accordance with the instructions of the participants. In the case of Common Shareholders such as banks, brokers or nominees which hold shares for others who are the beneficial owners, the Plan Administrator will administer the Plan on the basis of the number of Common Shares certified from time to time by the record shareholder's name and held for the account of beneficial owners who participate in the Plan.

There will be no brokerage charges with respect to Common Shares issued directly by the Fund. However, each participant will pay a pro rata share of brokerage commissions incurred in connection with Open-Market Purchases. The automatic reinvestment of Dividends will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such Dividends. Participants that request a sale of Common Shares through the Plan Administrator are subject to brokerage commissions. The Fund reserves the right to amend or terminate the Plan. There is no direct service charge to participants with regard to purchases in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants.

All correspondence or questions concerning the Plan should be directed to the Plan Administrator, The Bank of New York Mellon, 101 Barclay Street, New York, New York 10286, 11E, Transfer Agent Services, (800) 433-8191.

## **FUND PROXY VOTING POLICIES & PROCEDURES**

September 30, 2008 (Unaudited)

Fund policies and procedures used in determining how to vote proxies relating to portfolio securities and a summary of proxies voted by the Fund for the period ended June 30, 2008 are available without a charge, upon request, by contacting the Fund at 1-877-256-8445 and on the U.S. Securities and Exchange Commission's (Commission's) website at <http://www.sec.gov>.

## **PORTFOLIO HOLDINGS**

September 30, 2008 (unaudited)

The Fund files its complete schedule of portfolio holdings with the Commission for the first and third quarters of each fiscal year on Form N-Q within 60 days after the end of the period. Copies of the Fund's Forms N-Q are available upon request, by contacting the Fund at 1-877-256-8445 and on the Commission's website at <http://www.sec.gov>. You may also review and copy form N-Q at the Commission's Public Reference Room in Washington, D.C. For more information about the operation of the Public Reference Room, please call the Commission at 1-800-SEC-0330.

## **NOTICE**

September 30, 2008 (unaudited)

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may purchase at market prices from time to time shares of its common stock in the open market.

## **SHAREHOLDER MEETING**

September 30, 2008 (unaudited)

On August 4, 2008, the Fund held its Annual Meeting of Shareholders for the purpose of voting on a proposal to re-elect four Trustees of the Fund. The results of the proposal were as follows:

### **Proposal 1: Re-election of Trustees**

**Andrew C.  
Boynton**

**Adam D.  
Crescenzi**

**John F.  
Mee**

**Jerry G.  
Rutledge**

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For	9,888,669	9,879,769	9,884,859	9,886,269
Withheld	164,894	173,794	168,704	167,294
Withheld from Director	600	9,500	4,410	3,000

## INVESTMENT ADVISORY AGREEMENT

September 30, 2008 (Unaudited)

On July 9, 2008, the Board of Trustees met in person to, among other things, review and consider the renewal of the Advisory Agreement. In its consideration of the Advisory Agreement, the Trustees, including the non-interested Trustees, considered in general the nature, quality and scope of services to be provided by Clough.

Prior to the beginning of their review of the Advisory Agreement, counsel to the Fund, who also serves as independent counsel to the non-interested Trustees, discussed with the Trustees their fiduciary responsibilities in general and also specifically with respect to the renewal of the Advisory Agreement.

Mr. Canty, as Partner of Clough, next presented Clough's materials regarding consideration of renewal of the Advisory Agreement. Mr. Canty stated that included in the Board materials were responses by Clough to a questionnaire drafted by legal counsel to the Fund to assist the Board in evaluating whether to renew the Advisory Agreement (the 15(c) Materials). Mr. Canty noted that the 15(c) Materials were extensive, and included information relating to the Fund's investment results; portfolio composition; advisory fee and expense comparisons; financial information regarding Clough; descriptions such as compliance monitoring; and portfolio trading practices and information about the personnel providing investment management services to the Fund, and the nature of services provided under the Advisory Agreement.

Mr. Canty discussed the organizational structure of Clough and the qualifications of Clough and its principals to act as the Fund's adviser. He reviewed the professional experience of the portfolio managers, referring the Trustees to the biographies of Chuck Clough, Eric Brock, and himself, Partners at Clough, emphasizing that Mr. Clough, Mr. Brock, and he each had substantial experience as an investment professional. Mr. Canty stated that Clough is the investment adviser to the Fund, the Clough Global Equity Fund and the Clough Global Opportunities Fund, all closed-end funds. The Trustees, all of whom currently serve as Trustees for the Fund, the Clough Global Equity Fund and the Clough Global Opportunities Fund, acknowledged their familiarity with the expertise and standing in the investment community of Messrs. Clough, Canty, and Brock, and their satisfaction with the expertise of Clough and the services provided by Clough to the Fund. The Trustees concluded that the portfolio management team was well qualified to serve the Fund in those functions.

Mr. Canty then reviewed Clough's current staffing as well as future staffing plans. He described Clough's procedures relating to compliance and oversight with respect to Clough's brokerage allocation policies. He discussed Clough's order management systems that contain pre-trade compliance functions that review each trade against certain of the Fund's investment restrictions and applicable 1940 Act and Internal Revenue Code restrictions, and the efforts that Clough's Chief Compliance Officer will undertake to summarize monthly for Clough's management and quarterly for the Trustees any violations that may occur, as well as any other violations detected through the manual monitoring that supplements the order management system's testing. He also reviewed the adequacy of Clough's facilities. Mr. Canty further discussed the portfolio turnover rate of the Fund. The Trustees concluded that Clough appeared to have adequate procedures and personnel in place to ensure compliance by Clough with applicable law and with the Fund's investment objectives and restrictions.

Mr. Canty next reviewed the terms of the Advisory Agreement, stating that Clough would receive a fee of 0.70% of the average daily total assets of the Fund. He then discussed the fees charged by Clough to other clients for which it provides comparable services. Mr. Canty discussed the actual dollar amount of management fees paid under the Advisory Agreement. The Trustees then reviewed Clough's income statement for



the year ended December 31, 2007, and its balance sheet as of that date. The Trustees further reviewed a profit and loss analysis as it relates to Clough's advisory businesses.

Mr. Canty discussed the possible benefits Clough may accrue because of its relationship with the Fund as well as potential benefits that accrue to the Fund because of its relationship with Clough. Mr. Canty stated that Clough does not realize any direct benefits due to the allocation of brokerage and related transactions on behalf of the Fund.

The Board of Trustees reviewed and discussed materials prepared and distributed in advance of the meeting regarding the comparability of the investment advisory fees of the Fund with the investment advisory fees of other investment companies, which had been prepared at the request of ALPS by Lipper Analytical Services (Lipper). Lipper's report contained information regarding investment performance, comparisons of cost and expense structures of the Fund with other funds' cost and expense structures, as well as comparisons of the Fund's performance with the performance during similar periods of members of an objectively identified peer group and related matters.

As the Fund is unique in the marketplace, Lipper had a difficult time presenting a large peer group for comparison. The Trustees compared fees from eleven (11) closed-end investment companies versus the Fund's fees. The investment advisory fee for this group ranged from 0.500% to 1.050%, with a median of 0.876%. The total expenses for this group ranged from 0.619% to 1.332%, with a median of 1.081%. The Fund's total expenses were 1.027%.

The Trustees stated that the objectives of the funds in the analysis differed from the Fund's objectives and policies. In conjunction with Lipper's reports, the Trustees also reviewed a comparative fund universe prepared by Clough. The Trustees believed that the Lipper report, augmented by Clough's analysis, provided a sufficient comparative universe.

The Trustees then reviewed the Fund's performance as compared to the performance of the closed-end fund universe selected by Lipper. The Trustees reviewed the Fund's performance as compared to the eleven (11) closed-end funds for one-year performance ended as of May 31, 2008. The performance ranged from a high of 13.14% to a low of -5.83% with a median of 7.00%. The Fund's performance during such time period was 12.33%. The Trustees then reviewed performance data since the Fund's inception through May 31, 2008. The performance data ranged from a high of 25.94% to a low of 14.29% with a median of 17.10%. The Fund's performance during such time period was 15.72%.

At this point, Mr. Burke and Mr. Canty, both interested persons of the Fund, as well as the other representatives of ALPS and Clough, left the meeting. The non-interested Trustees, with the assistance of legal counsel, reviewed and discussed in more detail the information that had been presented relating to Clough, the Advisory Agreement and Clough's profitability.

Mr. Burke, Mr. Canty, and the representatives of ALPS rejoined the meeting. The Board of Trustees of the Fund, present in person, with the non-interested Trustees present in person voting separately, unanimously concluded that the investment advisory fee of 0.70% of the Fund's total assets are fair and reasonable for the Fund and that the renewal of the Advisory Agreement is in the best interests of the Fund and its shareholders.

**TRUSTEES & OFFICERS**

September 30, 2008 (Unaudited)

Information pertaining to the Trustees and Officers of the Trust is set forth below. Trustees deemed to be interested persons of the Trust as defined in the 1940 Act are referred to as Interested Trustees. Additional information about the Trustees is available, without charge, upon request by contacting the Fund at 1-877-256-8445.

**INTERESTED TRUSTEES AND OFFICERS**

Name, Age and Address	Position(s) Held with Funds/ Length of Time Served	Principal Occupation(s) During past 5 years* and other Directorships Held by Trustee	Number of Portfolios in Fund Complex Overseen by Trustee
<b>James E. Canty</b> Age - 46 One Post Office Square 40th Floor Boston, MA 02109	Trustee and Portfolio Manager/ Since Inception	Mr. Canty is a founding partner, Chief Financial Officer and General Counsel for Clough. Mr. Canty is currently a member of the Board of Directors of Clough Offshore Fund, Ltd and Board of Trustees of Clough Global Equity Fund and Clough Global Opportunities Fund. Because of his affiliation with Clough, Mr. Canty is considered an interested Trustee of the Fund.	3
<b>Edmund J. Burke</b> Age - 47 1290 Broadway Ste. 1100 Denver, CO 80203	Principal Executive Officer And President/Since Inception  Trustee/Since July 12, 2006	Mr. Burke joined ALPS in 1991 and is currently the Chief Executive Officer and President of ALPS Holdings, Inc., and a Director of ALPS Advisers, Inc., ALPS Distributors, Inc. ALPS Fund Services, Inc., and FTAM Distributors, Inc. Because of his position with ALPS, Mr. Burke is deemed an affiliate of the Trust as defined under the 1940 Act. Mr. Burke is also currently the President of the Reaves Utility Income Fund and Financial Investors Variable Insurance Trust. Mr. Burke is a Trustee and President of the Clough Global Equity Fund and Clough Global Opportunities Fund, is a	3



Trustee of the Liberty All-Star Equity Fund; and is a Director of the Liberty All-Star Growth Fund, Inc.

## INTERESTED TRUSTEES AND OFFICERS

Name, Age and Address	Position(s) Held with Funds/ Length of Time Served	Principal Occupation(s) During past 5 years* and other Directorships Held by Trustee	Number of Portfolios in Fund Complex Overseen by Trustee
<b>Jeremy O. May</b> Age - 38 1290 Broadway Ste. 1100 Denver, CO 80203	Treasurer/Since Inception	Mr. May joined ALPS in 1995 and is currently President and Director of ALPS and Director of ALPS Advisers, Inc., ALPS Distributors, Inc. ALPS Fund Services, Inc., ALPS Holdings, Inc. and FTAM Distributors, Inc. Because of his positions with ALPS, Mr. May is deemed an affiliate of the Trust as defined under the 1940 Act. Mr. May is also the Treasurer of the Liberty All-Star Equity Fund, Liberty All-Star Growth Fund, Inc., Reaves Utility Income Fund, Clough Global Equity Fund, Clough Global Opportunities Fund, and Financial Investors Variable Insurance Trust. Mr. May is also President, Chairman and Trustee of the ALPS Variable Insurance Trust and is also a Trustee of ALPS ETF Trust. Mr. May is currently on the Board of Directors and is Chairman of the Audit Committee of the University of Colorado Foundation.	N/A
<b>Kimberly R. Storms</b> Age - 36 1290 Broadway Ste. 1100 Denver, CO 80203	Assistant Treasurer/Since July 13, 2005	Ms. Storms is Vice President and Director of Fund Administration. Ms. Storms joined ALPS in 1998 as Assistant Controller. Because of her position with ALPS, Ms. Storms is deemed an affiliate of the Trust as defined under the 1940 Act. Ms. Storms is also Treasurer of ALPS ETF Trust, Assistant Treasurer of the Clough Global Equity Fund, Clough Global Opportunities Fund, Reaves Utility Income Fund, Liberty All-Star Growth Fund, Inc., Liberty All-Star Equity Fund, and ALPS Variable Insurance Trust, and Assistant Secretary of Ameristock Mutual Fund, Inc.	N/A



## INTERESTED TRUSTEES AND OFFICERS

Name, Age and Address	Position(s) Held with Funds/ Length of Time Served	Principal Occupation(s) During past 5 years* and other Directorships Held by Trustee	Number of Portfolios in Fund Complex Overseen by Trustee
<b>Erin Douglas</b> Age - 31 1290 Broadway Ste. 1100 Denver, CO 80203	Secretary/Since Inception	Ms. Douglas is Associate Counsel of ALPS. Ms. Douglas joined ALPS as Associate Counsel in January 2003. Ms. Douglas is deemed an affiliate of the Trust as defined under the 1940 Act. Ms. Douglas is currently the Secretary of Clough Global Equity Fund and Clough Global Opportunities Fund. From 2004 to 2007, Ms. Douglas was the Secretary of Financial Investors Trust.	N/A
<b>Michael T. Akins*</b> Age - 32 1290 Broadway Ste. 1100 Denver, CO 80203	Chief Compliance Officer/Since September 20, 2006	Mr. Akins is Deputy Chief Compliance Officer of ALPS. Mr. Akins previously served as Assistant Vice-President and Compliance Officer for UMB Financial Corporation. Before joining UMB, Mr. Akins was an Account Manager at State Street Corporation. Mr. Akins is deemed an affiliate of the Trust as defined under the 1940 Act. Mr. Akins also serves as Chief Compliance Officer of Clough Global Equity Fund, Clough Global Opportunities Fund, Financial Investors Trust, Financial Investors Variable Insurance Trust, Reaves Utility Income Fund, ALPS Variable Insurance Trust and ALPS ETF Trust.	N/A

\* Except as otherwise indicated, each individual has held the office shown or other offices in the same company for the last five years.

## INDEPENDENT TRUSTEES

Name, Age and Address	Position(s) Held with Funds/ Length of Time Served	Principal Occupation(s) During past 5 years* and other Directorships Held by Trustee	Number of Portfolios in Fund Complex Overseen by Trustee
<b>Andrew C. Boynton</b> Age - 52 Carroll School of Management Boston College Fulton Hall 510 140 Comm.Ave. Chestnut Hill, MA 02467	Trustee/Since March 2005	Mr. Boynton is currently the Dean of the Carroll School of Management at Boston College. Mr. Boynton served as Professor of Strategy from 1996 to 2005 and Program Director of the Executive MBA Program from 1998 to 2005 at International Institute of Management Development, Lausanne, Switzerland. Mr. Boynton is also a Trustee of the Clough Global Equity Fund and Clough Global Opportunities Fund.	3
<b>Robert Butler</b> Age - 67 12 Harvard Drive Hingham, MA 02043	Trustee/Since Inception  Chairman/Since July 12, 2006	Since 2001, Mr. Butler has been an independent consultant for businesses. Mr. Butler has over 45 years experience in the investment business, including 20 years as a senior executive with a global investment management/natural resources company and 20 years with a securities industry regulation organization, neither of which Mr. Butler has been employed by since 2001. Mr. Butler is currently Chairman and Trustee of the Clough Global Equity Fund and Clough Global Opportunities Fund.	3

## INDEPENDENT TRUSTEES

Name, Age and Address	Position(s) Held with Funds/ Length of Time Served	Principal Occupation(s) During past 5 years* and other Directorships Held by Trustee	Number of Portfolios in Fund Complex Overseen by Trustee
<b>Adam Crescenzi</b> Age - 66 100 Walden Street Concord, MA 01742	Trustee/Since Inception	Mr. Crescenzi is a founding partner of Simply Tuscan Imports beginning 2007 (wholesaling) and is also currently a Trustee of Clough Global Equity Fund, Clough Global Opportunities Fund, Dean College, and Chairman of the Board of Directors of Creative Realities (consulting) and ICEX, Inc. (research). Mr. Crescenzi is an active member of the strategic committee of the Patrons of Boston College McMullen Museum of Arts. Previously, Mr. Crescenzi was a founding partner of Telos Partners, a business advisory firm from 1998 until 2007.	3
<b>John F. Mee, Esq.</b> Age - 65 1290 Broadway, Ste. 1100 Denver, CO 80203	Trustee/Since Inception	Mr. Mee is an attorney practicing commercial law, family law, products liability and criminal law. He is an Advisor in the Harvard Law School Trial Advocacy Work-shop from 1990 to present. Mr. Mee is a member of the Bar of the Commonwealth of Massachusetts. He serves on the Board of Directors of the Holly Cross Alumni Association and the Board of Trustees of the Clough Global Equity Fund and Clough Global Opportunities Fund and Concord Carlisle Scholarship Fund, a Charitable Trust.	3

## INDEPENDENT TRUSTEES

Name, Age and Address	Position(s) Held with Funds/ Length of Time Served	Principal Occupation(s) During past 5 years* and other Directorships Held by Trustee	Number of Portfolios in Fund Complex Overseen by Trustee
<b>Richard C. Rantzow</b> Age - 70 1290 Broadway, Suite 1100 Denver, CO 80203	Trustee/Since Inception Vice-Chairman/ Since July 12, 2006	Mr. Rantzow is Vice-Chairman and Trustee of the Clough Global Equity Fund and Clough Global Opportunities Fund. Mr. Rantzow is also Trustee and Chairman of the Audit Committee of the Liberty All-Star Equity Fund and Director and Chairman of the Audit Committee of the Liberty All-Star Growth Fund, Inc. Mr. Rantzow was from 1992 to 2005 Chairman of the First Funds Family of mutual funds.	3
<b>Jerry G. Rutledge</b> Age - 64 2745 Springmede Court Colorado Springs, CO 80906	Trustee/Since Inception	Mr. Rutledge is the President and owner of Rutledge s Inc., a retail clothing business. Mr. Rutledge is currently Director of the American National Bank and a Trustee of Clough Global Equity Fund and Clough Global Opportunities Fund. Mr. Rutledge was from 1994 to 2007 a Regent of the University of Colorado.	3

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**cLOUGH GLOBAL ALLOCATION FUND**

1290 Broadway, Suite 1100

Denver, CO 80203

1-877-256-8445

This Fund is neither insured nor guaranteed by the U.S. Government, the FDIC, the Federal Reserve Board or any other governmental agency or insurer.

For more information about the Fund, including a prospectus, please visit [www.cloughglobal.com](http://www.cloughglobal.com) or call 1-877-256-8445.

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**Item 2. Code of Ethics.**

Not applicable to semi-annual report.

**Item 3. Audit Committee Financial Expert.**

Not applicable to semi-annual report.

**Item 4. Principal Accountant Fees and Services.**

Not applicable to semi-annual report.

**Item 5. Audit Committee of Listed Registrants.**

Not applicable.

**Item 6. Schedule of Investments.**

Schedule of Investments is included as part of the Report to Stockholders filed under Item 1 of this form.

**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**

Not applicable to semi-annual report.

**Item 8. Portfolio Managers of Closed-End Management Investment Companies.**

Not applicable to semi-annual report.

**Item 9. Purchases of Equity Securities by Closed-End Management Investment Companies and Affiliated Purchasers.**

Not applicable.

**Item 10. Submission of Matters to a Vote of Security Holders.**

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There have been no material changes by which shareholders may recommend nominees to the Board of Trustees.

**Item 11. Controls and Procedures.**

(a) The Registrant's principal executive officer and principal financial officer have concluded that the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended) are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There was no change in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940, as amended) during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

**Item 12. Exhibits.**

(a)(1) Not applicable to semi-annual report.

(a)(2) The certifications required by Rule 30a-2(a) of the Investment Company Act of 1940, as amended, and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto as Ex99.Cert.

(a)(3) Not applicable.

(b) A certification for the Registrant's Principal Executive Officer and Principal Financial Officer, as required by Rule 30a-2(b) of the Investment Company Act of 1940, as amended, and Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto as Ex99.906Cert.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CLOUGH GLOBAL ALLOCATION FUND

By: /s/ Edmund J. Burke  
Edmund J. Burke  
President

Date: December 8, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

CLOUGH GLOBAL ALLOCATION FUND

By: /s/ Edmund J. Burke  
Edmund J. Burke  
President/Principal Executive Officer

Date: December 8, 2008

By: /s/ Jeremy O. May  
Jeremy O. May  
Treasurer/Principal Financial Officer

Date: December 8, 2008

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