

Activision Blizzard, Inc.
Form DEF 14A
April 23, 2015
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

ACTIVISION BLIZZARD, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11
(set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

**Notice of 2015 Annual Meeting
of Stockholders
and Proxy Statement**

Wednesday, June 3, 2015
at 9:00 a.m., Pacific Daylight Time

3100 Ocean Park Boulevard

Santa Monica, California 90405

Dear Fellow Stockholders:

I cordially invite you to join me and Activision Blizzard, Inc.'s Board of Directors at the company's 2015 annual meeting of stockholders. This proxy statement contains information about the meeting and will serve as your guide to the matters on which you will be asked to vote.

At Activision Blizzard, we know that feedback from our stockholders is essential to our continued success. Regardless of the number of shares you own, this meeting is a wonderful opportunity for you to learn more about developments at the company and, more importantly, to express your opinions and play a part in Activision Blizzard's future. If you can't attend the meeting, please share your thoughts or concerns with us by email at ir@activision.com or in care of our Corporate Secretary at Activision Blizzard, Inc., 3100 Ocean Park Blvd., Santa Monica, California 90405.

Thank you for your continued support of Activision Blizzard.

Sincerely,

Robert A. Kotick

President and Chief Executive Officer

April 23, 2015

The proxy statement and our 2014 annual report to stockholders are each available at:

<http://www.cstproxy.com/activision/2015>

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3100 Ocean Park Boulevard

Santa Monica, California 90405

Notice of 2015 Annual Meeting of Stockholders

Wednesday, June 3, 2015

9:00 a.m.

The Annual Meeting of Stockholders of Activision Blizzard, Inc. will be held in the Promenade Ballroom at the Shutters on the Beach hotel, One Pico Boulevard, Santa Monica, California 90405, on Wednesday, June 3, 2015, at 9:00 a.m., Pacific Daylight Time.

The purposes of this year's annual meeting are to:

1. elect eight directors for a one-year term;
2. request advisory approval of our executive compensation; and
3. ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2015.

The Activision Blizzard, Inc. Board of Directors has fixed April 7, 2015 as the record date for determining the stockholders entitled to receive notice of, and to vote at, the annual meeting.

Whether or not you plan to attend the meeting, I urge you to promptly vote your shares by proxy by following the instructions beginning on page 9 of the enclosed proxy statement. If you are able to attend the meeting and wish to vote in person, you may withdraw your proxy at that time. If you do plan to attend the meeting, please see page 12 of the enclosed proxy statement for information regarding what you must bring with you to gain admittance.

By Order of the Board of Directors

Jeffrey A. Brown

Corporate Secretary

April 23, 2015

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Proxy Summary

This summary highlights information contained elsewhere in this proxy statement for the 2015 annual meeting of the stockholders of Activision Blizzard, Inc., a Delaware corporation (the "Company"). This summary does not contain all of the information that you should consider, and you should read the entire proxy statement before voting. For more complete information regarding the Company's 2014 performance, please review the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Voting Matters and Board Recommendations

Our Board's Recommendations

Elect directors (page 13)	FOR each Director Nominee
Advisory vote to approve executive compensation (page 62)	FOR
Ratify the appointment of our independent registered public accounting firm (page 73)	FOR

Director Nominees

The following table sets forth certain information about each of the nominees for election to our Board of Directors:

	Director		Principal Occupation	Independent	Other Public Boards	Committee Memberships		
	Age	Since				Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Robert J. Corti	65	2003	Chairman of the Avon Foundation	—	—			
Brian G. Kelly	52	1995	Chairman of the Board of Activision Blizzard	—	—			
Robert A. Kotick	52	1991	President and CEO of Activision Blizzard	—	1			
Barry Meyer	71	2014	Former Chairman and CEO of Warner Brothers	—	—			

Robert J. Morgado	72	1997	Entertainment Former Chairman and CEO of Warner Music Group	—
Peter Nolan	56	2013	Senior Advisor to Leonard Green & Partners	—
Richard Sarnoff	56	2005	Managing Director at Kohlberg Kravis Roberts & Co.	1
Elaine Wynn	72	2013	Co-founder of Wynn Resorts	1

Chairperson

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Executive Compensation Highlights

Our employees are our most valuable asset. Our industry is intensely competitive and constantly evolving. Our executives and many of our highly skilled employees are often sought after by our competitors, both established and new. As such, it is necessary for us to offer our executives highly competitive total compensation, including equity awards, and to use employment agreements to attract, retain and motivate them.

Our compensation philosophy has allowed us to recruit, retain and motivate the best talent in our industry, as evidenced by our performance. Our executive compensation program, designed to be consistent with that philosophy, has three primary components: (1) base salary; (2) annual cash incentives; and (3) equity awards, including stock options and restricted share units, primarily with performance-based vesting criteria. We aim to incentivize our executives to drive corporate financial performance by basing a significant portion of their compensation on achieving financial and individual strategic targets, thereby linking payment to performance.

Highlights of our executive compensation program for 2014 with respect to the named executive officers included in the “Summary Compensation Table” below are as follows:

Salary

Salary increases for our named executive officers ranged from 2.75% to 5.0% during the 2014 annual review of executive base salaries, reflecting individual performance and the Compensation Committee’s assessment of the competitive market. The base salary of Thomas Tipl, our Chief Operating Officer, was not increased in 2014, since he received a base salary increase in conjunction with the amendment to his employment agreement in December 2013. Please see “Executive Compensation—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Salary” below.

Annual Cash Incentives and Other Performance-Based Bonuses

Annual cash incentives under our Corporate Annual Incentive Plan paid to each of our named executive officers for 2014 ranged between 84% and 111% of target as a result of performance measured against the goals established by the Compensation Committee. For each of our named executive officers, 60% of his target opportunity under the Corporate Annual Incentive Plan was weighted based on financial measures (specifically, non-GAAP operating

income, non-GAAP diluted earnings per share and/or non-GAAP adjusted free cash flow), and 40% of his target opportunity was based on individual performance measures that the Compensation Committee believes supported the overall Company strategy and the officer's business unit objectives for the year. Please see "Executive Compensation—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (*i.e.*, the CAIP) and Other Performance-Based Bonuses" below.

In accordance with the employment agreement we entered into with him in connection with the Vivendi Games Combination (as defined herein), Mr. Morhaime received an award for 2014 under the Morhaime Profit Sharing Plan. Please see "Executive Compensation—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (*i.e.*, the CAIP) and Other Performance-Based Bonuses" below.

Additional Bonuses

No discretionary cash awards were awarded to our named executive officers for 2014. In accordance with the employment agreement we entered into with him in connection with the Vivendi Games Combination, Mr. Morhaime received a payment for 2014 under the Blizzard Bonus Plan.

Equity Awards

In October 2014, we extended the term of employment of our Chief Strategy and Talent Officer, Humam Sakhnini, through March 2017 (or, if we so elect, through March 2018). Mr. Sakhnini, the only named executive officer whose employment agreement was entered into, or amended, in 2014, received a combination of performance-based vesting restricted share units and stock options. He did not receive any time-based vesting restricted share units. Please see "Executive Compensation—Employment Agreements—Humam Sakhnini" below.

In December 2013, we extended the term of employment of Mr. Tippl through April 2016 (or, if we so elect, through April 2017). Mr. Tippl received equity awards during 2014 in connection with that 2013 extension of his employment. Please see "Executive Compensation—Employment Agreements—Thomas Tippl—Employment Agreement" below.

While our executives do not generally receive annual grants of equity, Mr. Morhaime's employment agreement, which was negotiated in connection with the Vivendi Games Combination, does provide for annual equity grants, consistent with the compensation Mr. Morhaime received at Vivendi Games prior to the consummation of the Vivendi Games Combination. Please see "Executive Compensation—Employment Agreements—Michael Morhaime" below.

•No other named executive officer received an equity award during 2014.

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The following table sets forth certain summarized 2014 compensation information with respect to the named executive officers. **For the complete Summary Compensation Table, including the notes which accompany it along with compensation for prior years, please see page 41.**

Name and Principal Position	Salary	Bonus	Stock Awards	Option Awards	Non-Equity	All Other Compensation	Total
					Incentive Plan Compensation		
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Robert A. Kotick President and Chief Executive Officer	2,196,616	—	—	—	4,595,173	87,023	6,878,812
Dennis Durkin Chief Financial Officer	713,737	—	—	—	597,248	17,855	1,328,840
Thomas Tipl Chief Operating Officer	1,254,807	2,000,000	10,400,018	—	1,970,862	33,969	15,659,656
Michael Morhaime President and Chief Executive Officer, Blizzard Entertainment	886,603	328,234	1,407,000	1,120,000	4,042,955	71,495	7,856,287
Humam Sakhnini Chief Strategy and Talent Officer	658,835	—	—	1,279,064	431,805	24,355	2,394,059

2014 Financial and Operational Highlights

2014 was another successful year for the Company, as we achieved record results and introduced new franchises with outstanding gameplay, expanded on exciting new business models and continued investing in some of the world's most important entertainment franchises. During 2014:

- We generated GAAP net revenues of \$4.41 billion and non-GAAP net revenues of \$4.81 billion.
- Our non-GAAP net revenues from digital channels⁽¹⁾ accounted for a record 46% of our total non-GAAP net revenues.
- Our 2014 GAAP operating margin was 27% and our non-GAAP operating margin was 32%.
- We delivered GAAP and non-GAAP diluted earnings per share of \$1.13 and \$1.42, respectively.
- We generated GAAP operating cash flow of almost \$1.3 billion.
- We delivered total shareholder return (*i.e.*, TSR) (through stock price appreciation and dividend payments) of over 14%.

Our financial performance was driven by our operational execution during 2014. Highlights included⁽²⁾:

Blizzard Entertainment launched *Warlords of Draenor*TM, the fifth expansion for the #1 subscription-based massively multiplayer online role-playing game (i.e., MMORPG) in the world, *World of Warcraft*[®]. The expansion sold-through more than 3.3 million copies as of the first 24 hours of its availability and helped drive *World of Warcraft* to more than 10 million global subscribers at the end of 2014⁽³⁾.

Blizzard Entertainment's *Diablo II®: Reaper of Souls*TM was the #1 top-selling role-playing game on PC and, including its expansion and digital sales, *Diablo III* has sold more than 20 million copies worldwide across all platforms.

Blizzard Entertainment released *Hearthstone®: Heroes of Warcraft*TM, a free-to-play digital strategy card game, which had more than 25 million registered players as of January 2015 and received multiple "game of the year" awards and nominations.

Activision Publishing's *Call of Duty®: Advanced Warfare* was the #1 top-selling console game globally for the calendar year. Additionally, *Call of Duty* was the #1 franchise in North America for the sixth year in a row.

Activision Publishing's *Destiny* was the most successful launch of a new video game franchise in history. *Destiny* was also the #1 top-selling new video game IP and the #3 top-selling new release in North America and Europe, combined, for the calendar year.

Activision Publishing's *Skylanders*[®] franchise had the #1 top-selling kids console game globally for the fourth year in a row.

This performance was a direct result of the focused and disciplined approach followed by our top leadership prior to and during 2014, including continued investment in our established franchises, like *Call of Duty* and *World of Warcraft*, selectively introducing new concepts, like *Destiny* and *Hearthstone*, and managing our costs prudently.

(1) *Net revenues from digital online channels represents revenues from subscriptions, licensing royalties, value-added services, downloadable content, digitally distributed products and wireless devices.*

(2) *According to The NPD Group, GfK Chart-Track and Activision Blizzard internal estimates, as the case may be.*

World of Warcraft subscribers include individuals who have paid a subscription fee or have an active prepaid card to play World of Warcraft, as well as those who have purchased the game and are within their free month of

(3) access. Internet Game Room players who have accessed the game over the last thirty days are also counted as subscribers. The above definition excludes all players under free promotional subscriptions, expired or cancelled subscriptions, and expired prepaid cards. Subscribers in licensees' territories are defined along the same rules.

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Corporate Governance Highlights

The Company is committed to adopting and following strong corporate governance practices that benefit all of our stakeholders. We believe that a foundation of good corporate governance creates an environment of accountability for our Board and senior management and otherwise promotes the long-term interests of our stakeholders. Our Board continues to monitor emerging best practices in governance and adopts measures where it determines them to be in the best interests of our stakeholders. Highlights of our corporate governance program include:

- Accountability
 - We elect all directors on an annual basis
 - Each share of our common stock outstanding that is entitled to vote on the record date is entitled to one vote per matter presented to our stockholders
- Board Composition
 - We have a separate Chairman and CEO
 - If our Board were to select our CEO to also serve as Chairman, the independent directors would, in accordance with our Corporate Governance Principles and Policies, consider the appointment of a lead independent director
 - Our independent directors meet in executive session at least two times a year
- Stock Ownership Guidelines
 - Our CEO is expected to beneficially own shares of our common stock with a value at least equal to three times his or her then-current annual base salary
 - Each other executive officer is expected to beneficially own shares of our common stock with a value at least equal to his or her then-current annual base salary
 - Each Board member not employed by us or any of our subsidiaries is each required to, within four years following his or her election to our Board, beneficially own shares of our common stock with a value at least equal to five times the annual cash retainer we then pay that director for regular service on the Board
- Anti-Hedging Policy
 - We prohibit hedging of company stock by our employees and directors
- Board Oversight of Risk
 - Our Board has responsibility for management oversight and providing strategic guidance to the Company
 - Our Board annually reviews the conclusions and recommendations of our management with respect to current and future potential strategic enterprise-level risks and strategies used to mitigate such risks
- Strategy
 - Our Board delegates certain risk management oversight functions to standing committees, each of which regularly reports to our Board
- Board Self-Evaluation
 - Our Board annually reviews its performance, as well as the performance of each of our standing committees
 - We have three standing committees—the Audit Committee, the Compensation Committee and the
- Board Committees
 - Nominating and Corporate Governance Committee, all of the members of each of which are independent
- Succession Planning
 - Our Board annually reviews succession plans for our senior-most officers
 - Our Nominating and Corporate Governance Committee oversees risks associated with overall governance and succession planning
 - Our Board actively participates in CEO succession planning

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PROXY STATEMENT

GENERAL

Purpose of this Proxy Statement

This proxy statement is furnished in connection with the solicitation by our Board of Directors (our “Board”) of proxies from holders of issued and outstanding shares of the Company’s common stock, par value \$0.000001 per share (“Common Stock”). The proxies being solicited will be used at the annual meeting of our stockholders to be held on Wednesday, June 3, 2015, in the Promenade Ballroom at the Shutters on the Beach hotel, One Pico Boulevard, Santa Monica, California 90405, at 9:00 a.m., Pacific Daylight Time, and at any adjournment or postponement of the meeting (the “Annual Meeting”).

Notice of Internet Availability of Proxy Materials

We will be mailing a notice regarding the internet availability of these proxy materials (containing instructions on how to access the proxy materials and vote shares through the internet) to stockholders on or about April 23, 2015.

Other General Information

All financial metrics used in this proxy statement are presented in accordance with generally accepted accounting principles, unless explicitly identified as non-GAAP. For information on the calculation and reconciliation of GAAP measures to non-GAAP measures, please see Appendix A attached to this proxy statement. Internally, management uses the financial measures identified herein as non-GAAP in assessing our operating results, as well as in planning and forecasting. In particular, the measures facilitate comparison of operating performance between periods and help investors to better understand the operating results of Activision Blizzard by excluding certain items that may not be indicative of the Company’s core business, operating results or future outlook. As such, the performance of our executive officers is generally measured by reference to non-GAAP financial measures. Further, management believes that the presentation of these non-GAAP financial measures provides investors with additional useful information to measure Activision Blizzard’s financial and operating performance. These non-GAAP financial measures are not intended to be considered in isolation from, as a substitute for, or as more important than, the financial information prepared and presented in accordance with GAAP. In addition, these non-GAAP measures have limitations in that they do not reflect all of the items associated with the Company’s results of operations as determined in accordance with GAAP. In the future, Activision Blizzard may also consider whether other significant non-recurring items should also be excluded in calculating the non-GAAP financial measures used by the Company.

All references in this proxy statement to “the Company”, “we”, “us”, “our”, and “Activision Blizzard” refer to Activision Blizzard, Inc.

PROCEDURAL MATTERS

Who may vote at the Annual Meeting?

Only stockholders of record at the close of business on April 7, 2015, are entitled to notice of, and to vote at, the Annual Meeting. There were 725,982,511 shares of our Common Stock outstanding and entitled to vote on the record date.

A list of the stockholders entitled to vote at the Annual Meeting will be available for examination by any stockholder, for any purpose germane to the Annual Meeting, at the Annual Meeting and during ordinary business hours at our offices at 3100 Ocean Park Blvd., Santa Monica, California 90405 for the 10 days prior to the Annual Meeting.

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How many votes may I cast?

Each share of our Common Stock outstanding and entitled to vote on the record date is entitled to one vote on each matter presented for action at the Annual Meeting.

What if I hold my shares through a broker? What is the difference between holding shares as a “stockholder of record” and as a “beneficial owner”?

If your shares are held through a broker, bank or any other nominee, you hold your shares in “street name”, and you are considered the “beneficial owner” of those shares. This proxy statement and any accompanying materials have been provided to you by your broker, bank or other holder of record. As a beneficial owner, you are entitled to direct the firm that holds your shares how to vote your shares.

If your shares are registered in your name with our stock transfer agent, Continental Stock Transfer & Trust, you are the “stockholder of record”. This proxy statement and any accompanying materials have been provided to you directly by Activision Blizzard.

Can my broker vote my shares without my instruction? What are “broker non-votes”?

If you are a beneficial owner and you do not provide voting instructions to the broker, bank or other nominee that holds your shares in its name, that firm is only allowed to exercise its discretion to vote your shares on “routine” matters, but will not be allowed to vote your shares with respect to “non-discretionary” items. Proposal 3—the ratification of PricewaterhouseCoopers LLP as the Company’s independent registered accounting firm public—is the only matter for consideration at the Annual Meeting considered to be routine. For all matters other than proposal 3, you must submit voting instructions to the firm that holds your shares if you want your vote to count. A “broker non-vote” will occur with respect to proposals 1 and 2 if you do not provide instructions to your broker, bank or other nominee with respect to them.

How many votes must be present in order for business to be conducted?

In order for business to be conducted at the Annual Meeting, a quorum must be present. A quorum consists of a majority of the outstanding shares of our Common Stock entitled to vote at the Annual Meeting. Shares of our Common Stock present in person or by proxy (including any abstentions or broker non-votes) will be included for purposes of determining whether a quorum is present at the Annual Meeting.

How can I cast my vote with respect to each proposal and how many votes are required to approve each proposal?

Proposal	Voting Options	Vote Required to Adopt Proposal	Broker Discretionary Voting Allowed	Effect of Broker Non-Votes	Effect of Abstentions	Effect of Pres but Not Voted Shares
Election of Directors—Proposal 1	For, against or abstain with respect to each nominee	Affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting	No	No Effect	Against	Against
Advisory Vote to Approve Executive Compensation—Proposal 2	For, against or abstain	Affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting	No	No Effect	Against	Against
Ratification of Appointment of Independent Registered Public Accounting Firm—Proposal 3	For, against or abstain	Affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting	Yes	N/A	Against	Against

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What are the ways I can vote?

Stockholders at the close of business on April 7, 2015, can vote at the Annual Meeting in person or via proxy in the manner described herein. Any stockholder who holds shares in street name through a broker, bank or other nominee will receive separate instructions from the firm holding his or her shares describing the procedure for voting those shares.

How do I vote in person at the Annual Meeting?

Stockholders who wish to vote in person at the Annual Meeting must request a ballot at the meeting. Further, any street-name holder who wishes to vote in person at the Annual Meeting will need to obtain a proxy from the broker, bank or other nominee that is the record holder of his or her shares in order to cast a ballot at the meeting.

What does it mean to vote by proxy? Who represents my shares at the Annual Meeting?

A vote via proxy authorizes Robert A. Kotick (our Chief Executive Officer), Thomas Tippl (our Chief Operating Officer) and Dennis Durkin (our Chief Financial Officer), and each of them, with full power of substitution, to vote and otherwise represent all of the shares that you are entitled to vote at the Annual Meeting, in accordance with your instructions, with the same effect as if you were present at the meeting and voting such shares.

How do I vote by proxy?

Stockholders of record may vote by proxy in three ways:

Vote by Internet. Record holders can vote online prior to 4:00 p.m., Pacific Daylight Time, on June 2, 2015. Go to www.cstproxyvote.com, which is available 24 hours a day until the deadline. You will need your “company ID”, “proxy number” and “account number”, all of which appear on the notice of internet availability of proxy materials or proxy card you received.

Vote by Telephone. Record holders can vote by phone prior to 4:00 p.m., Pacific Daylight Time, on June 2, 2015. Call (866) 894-0537, which is available 24 hours a day until the deadline. You will need your “company ID”, “proxy number” and “account number”, all of which appear on the notice of internet availability of proxy materials or proxy card you received.

Vote by Mail. Record holders can vote by mail if they received a printed copy of the proxy card. Complete and return that proxy card in the postage-paid envelope provided. If you are a stockholder of record and you choose to vote by mail, your vote will be counted so long as it is received prior to the closing of the polls at the meeting, but we urge you to complete, sign, date and return the proxy card as soon as possible.

You need only vote in one way (so that, if you vote by internet or telephone, you need not return the proxy card).

What if I vote by proxy but do not provide specific instructions for some or all of the items?

The shares of our Common Stock represented by all valid proxies we receive prior to the Annual Meeting that are not properly revoked prior to being voted at the Annual Meeting will be voted at the Annual Meeting as directed. If no directions are specified, those proxies will be voted FOR each of the eight director nominees named in this proxy statement (proposal 1), FOR the advisory approval of the Company's executive compensation, as disclosed in this proxy statement (proposal 2), and FOR the ratification of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2015 (proposal 3).

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If I have voted by proxy, can I change my vote?

Any stockholder of record may revoke or change that stockholder's proxy at any time before the proxy is voted at the Annual Meeting by (1) sending a written notice of revocation of the proxy to our Corporate Secretary at Activision Blizzard, Inc., 3100 Ocean Park Blvd., Santa Monica, California 90405, (2) properly delivering a subsequently dated proxy, or (3) voting in person at the Annual Meeting.

What do I need to do if I want to attend the Annual Meeting?

You should be prepared to present a valid form of photo identification, such as a driver's license, state-issued ID card or passport, to gain admittance to the Annual Meeting. In addition, if you are a stockholder of record, your ownership as of the record date must be verified by reference to our records prior to admittance into the Annual Meeting. If you hold shares in street name through a broker, bank or other nominee, you must provide proof of beneficial ownership as of the record date, such as a brokerage account statement or similar evidence of ownership. If you do not provide valid photo identification and otherwise comply with the procedures outlined above, you may not be admitted to the Annual Meeting. Directions to the Annual Meeting can be obtained by contacting our Investor Relations department by calling (310) 255-2000 or by emailing ir@activision.com.

Will I have dissenters' rights in connection with the business being considered?

Stockholders have no dissenters' rights or rights of appraisal under Delaware law, our Certificate of Incorporation or our Bylaws in connection with the election of directors (proposal 1), proposals 2 or 3.

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PROPOSAL 1 ELECTION OF DIRECTORS

General

Stockholders will elect eight directors at the Annual Meeting. Those elected will serve one-year terms and until their respective successors are duly elected or appointed and qualified or until the earlier of their death, resignation or removal. Except where otherwise instructed, proxies solicited by this proxy statement will be voted for the election of each nominee. However, if any nominee becomes unable to stand for election as a director at the Annual Meeting, the proxy may be voted for a substitute designated in accordance with our Bylaws.

Director Nominees

In order to have a knowledgeable Board comprised of individuals with distinguished records of leadership and success, the Nominating and Corporate Governance Committee has established criteria and assessed each director nominee's capabilities to identify the contributions he or she can make to our Board. As a company with a global customer base in the entertainment software industry, we consider leadership abilities gained from senior roles as executive officers or board members of large, global corporations in the entertainment field to be particularly relevant to the business of the Company. We believe that our directors bring to our Board the practical wisdom and strong professional characteristics, judgment and leadership abilities necessary to keep our Company performing competitively in the market. For the qualifications we require our directors (and director nominees) to have, see "Corporate Governance Matters—Board of Directors and Committees—Identification of Candidates for Election to our Board—Experience, Skills and Other Characteristics of our Director Candidates" below.

The following are biographical summaries of our director nominees, which describe their noteworthy experience. Also described below are certain individual qualifications and skills of each of our directors that we believe contribute to our Board's effectiveness and success. For information regarding each nominee's current Board committee membership, if any, see "Corporate Governance Matters—Board of Directors and Committees—Board Committees" below.

Robert J. Corti

Chairman of the Avon Foundation

Director since 2003

Age 65

Business Experience. Mr. Corti has been a director of Activision Blizzard since December 2003. Mr. Corti has more than 25 years of experience at Avon Products, a global manufacturer and marketer of beauty and related products. Mr.

Corti joined Avon Products' tax department as a tax associate in 1976 and held positions of increasing responsibility in the company's finance department throughout his tenure there, including serving as an executive vice president and the chief financial officer of Avon Products from 1998 until he retired from the chief financial officer role in November 2005 and as an executive vice president in March 2006. Mr. Corti has served on the board of directors of Bacardi Limited, a wine and spirits group, since June 2006. In addition, Mr. Corti has served as a member of the board of directors of the Avon Foundation since 1998 and its chairman since 2006 and as a member of the Manhattan Chapter of the Cystic Fibrosis Foundation since January 2012, where he serves as the president of the board. In addition, he was a director of ING Direct, then a U.S. subsidiary of the Dutch insurance conglomerate, the ING Groep, from January 2008 until January 2012. Mr. Corti holds a B.A. degree in accounting from Queens College and an M.B.A. degree in taxation from St. John's University. Mr. Corti is also a certified public accountant.

Mr. Corti's qualifications for election to our Board include his financial expertise, in particular his wealth of accounting and tax experience, gleaned in part from his long tenure in Avon's finance department. Having served Avon for more than 25 years and worked his way up to increasingly senior roles within that organization, Mr. Corti offers the unique perspective of having helped to guide a large public company with international operations through the changing economic and competitive landscape for over two and a half decades. From his tenure at Avon, Mr. Corti also brings experience in the consumer products industry. Mr. Corti qualifies as an audit committee financial expert (as defined in the applicable rules of the Securities and Exchange Commission (the "SEC")) and is financially sophisticated within the meaning of the NASDAQ Rules.

Brian G. Kelly

Chairman of the Board of Activision Blizzard

Director since 1995

Age 52

Business Experience. Mr. Kelly has held various positions of responsibility with Activision Blizzard since 1991, including serving as a director of the Company since July 1995 and as the Co-Chairman of our Board from October 1998 until the October 2013 consummation of the transactions contemplated by the Vivendi Share Purchase Agreement (as defined herein). Mr. Kelly has served as the Chairman of our Board since the consummation of those transactions. Mr. Kelly holds a B.A. degree in accounting from Rutgers University and a J.D. degree from Fordham University School of Law.

Mr. Kelly's qualifications for election to our Board include the depth of institutional knowledge and understanding of our organization he possesses by virtue of his service as an executive of the Company from 1991 until the Vivendi Games Combination and as a director for more than 18 years. During that time, he has demonstrated his superior leadership skills, his devotion to the Company and his commitment to helping to ensure our ongoing success.

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Robert A. Kotick

President and Chief Executive Officer of Activision Blizzard

Director since 1991

Age 52

Business Experience. Mr. Kotick has been a director of Activision Blizzard since February 1991, following his purchase of a significant interest in the Company, which was then on the verge of insolvency. Mr. Kotick was our Chairman and Chief Executive Officer from February 1991 until July 2008, when he became our President and Chief Executive Officer in connection with the Vivendi Games Combination. Mr. Kotick is also a member of the board of directors of The Coca-Cola Company, a multinational beverage corporation, and the boards of trustees for The Center for Early Education and the Harvard-Westlake School. He is also vice chairman of the board and chairman of the committee of trustees of the Los Angeles County Museum of Art. In addition, Mr. Kotick is the founder and co-chairman of the Call of Duty Endowment, a nonprofit, public benefit corporation that seeks to help organizations that provide job placement and training services for veterans. Additionally, he served on the board of directors of Yahoo!, Inc., an internet content and service provider, from 2003 until 2008.

Skills and Qualifications. Mr. Kotick's qualifications for election to our Board include the depth of institutional knowledge and understanding of our organization, as well as the practical experience in a chief executive officer role, that he possesses by virtue of his two decades of service to the Company, including as our President and Chief Executive Officer and, previously, as the Chairman of our Board. Mr. Kotick also brings to the Company his perspective as a board member at a variety of other organizations and his experience in helping those organizations achieve their diverse goals and overcome a wide range of challenges through changing economic and social times.

Barry Meyer

Former Chairman and CEO of Warner Brothers Entertainment

Director Since 2014

Age 71

Business Experience. Mr. Meyer joined our Board in January 2014. At the end of 2013, Mr. Meyer retired as the chairman of Warner Brothers Entertainment Inc., an American producer of film, television, and music entertainment. He joined Warner Brothers as a director of business affairs in 1971 and held positions of increasing responsibility throughout his tenure there, eventually serving as Warner Brothers' chief executive officer and chairman from October 1999 until March 2013 and as chairman through December 2013. Mr. Meyer co-founded the consulting firm North Ten Mile Associates, LLC following his retirement from Warner Brothers, and currently serves as the manager and co-chief executive officer of that firm. Mr. Meyer is a member of the board of councilors of the USC School of Cinematic Arts, a member of the Academy of Motion Picture Arts & Sciences, a member and former governor of the Academy of Television Arts & Sciences, and a member and former director of the Hollywood Radio and Television Society. He also serves on the boards of directors of the Federal Reserve Bank of San Francisco and of Human Rights Watch, and on the advisory board of the Smithsonian National Museum of American History. Mr. Meyer holds a B.A. degree in English from the University of Rochester and a J.D. degree from Case Western Reserve University School

of Law.

Skills and Qualifications. Mr. Meyer's qualifications for election to our Board include over 40 years of leadership and managerial experience in one of the largest entertainment production companies in the world, including serving as its chief executive officer. Mr. Meyer possesses in-depth knowledge of both the business and creative aspects of the entertainment industry, both from his years at Warner Brothers and the leadership positions he held in various cultural institutions dedicated to visual and cinematic arts. Mr. Meyer brings with him a wealth of experience in nearly every facet of the entertainment industry, as well as a deep understanding of the unique challenges faced by large, multinational public companies.

Robert J. Morgado

Former Chairman and CEO of Warner Music Group

Director Since 1997

Age 72

Business Experience. Mr. Morgado has been a director of Activision Blizzard since February 1997. Mr. Morgado is chairman of Maroley Media Group, a media entertainment investment company he established in 1995. He previously served as the chairman and the chief executive officer of Warner Music Group, a music content company comprised of recorded music and music publishing businesses, from 1985 to 1995. Mr. Morgado serves on the board of directors of the Maui Arts & Cultural Center. He is also a member of the board of managers of Nest Top, the controlling shareholder of Nest Family and Nest Learning Systems, a children's entertainment company, and Kaanapali Kai, a real estate investment company, where he serves as its chairman. Mr. Morgado holds a B.A. degree in history and philosophy from Chaminade University of Honolulu and an M.P.A. degree from The State University of New York.

Skills and Qualifications. Mr. Morgado's qualifications for election to our Board include his extensive experience as a chief executive officer and a director at a variety of media and entertainment companies and his perspective as the founder and chairman of a media entertainment investment company. Mr. Morgado qualifies as an audit committee financial expert (as defined in the applicable rules of the SEC) and is financially sophisticated within the meaning of the NASDAQ Rules.

Peter Nolan

Senior Advisor to Leonard Green & Partners

Director Since 2013

Age 56

Business Experience. Mr. Nolan became a director of Activision Blizzard in October 2013. Mr. Nolan is a senior advisor to Leonard Green & Partners, L.P., a private equity firm and one of the limited partners of ASAC (as defined

below), and was previously the managing partner of Leonard Green & Partners. Prior to becoming a partner at Leonard Green & Partners in 1997, Mr. Nolan served as a managing director and the co-head of Donaldson, Lufkin and Jenrette's Los Angeles Investment Banking Division from 1990 to 1997, as a first vice president in corporate finance at Drexel Burnham Lambert from 1986 to 1990, and as a vice president at Prudential Securities, Inc. from 1982 to 1986. Prior to 1982, Mr. Nolan was an associate at Manufacturers Hanover Trust Company. Mr. Nolan currently serves on the boards of directors of AerSale Holdings, Inc., Aspen Dental Management, Inc., Motorsport Aftermarket Group, The Palms Hotel and Casino, and Scitor Corporation, all of which are companies in which Leonard Green & Partners has an ownership interest. Mr. Nolan served on the Company's Board from December 2003 until July 2008, when he resigned in connection with the consummation of the Vivendi Games Combination. Mr. Nolan holds a B.S. degree in agricultural economics and finance and an M.B.A. degree, both from Cornell University.

Skills and Qualifications. Mr. Nolan's qualifications for election to our Board include his extensive experience in corporate finance and investment banking, including leadership roles at large international corporations with worldwide operations. His extensive and wide-ranging experience is demonstrated by his current directorships in five other companies operating in various industries. Mr. Nolan also brings with him a depth of institutional knowledge about the Company from his service on our Board from 2003 to 2008.

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Richard Sarnoff

Managing Director at Kohlberg Kravis Roberts & Co.

Director Since 2005

Age 56

Business Experience. Mr. Sarnoff has been a director of Activision Blizzard since August 2005. He has served as managing director of the private equity platform in the Americas of Kohlberg Kravis Roberts & Co., a private equity firm, since July 2014, and was a senior advisor to KKR from January 2011 to July 2014. Prior to joining KKR, Mr. Sarnoff was employed by Bertelsmann AG, a diversified media and services company, where he served as the co-chairman of Bertelsmann, Inc. and the president of Bertelsmann Digital Media Investments from 2008 until January 2011. Prior to those roles, Mr. Sarnoff served as an executive vice president and the chief financial officer of Random House, Inc., a general trade book publisher and a subsidiary of Bertelsmann. Mr. Sarnoff also served as a member of the supervisory board of Bertelsmann AG from 2002 to 2008 and was a director of the Princeton Review, an educational preparation company, from 2000 to 2009, a director of Audible, Inc., a provider of spoken audio entertainment, information and educational programming, from 2001 to 2008, and a director of Amdocs, Inc., a provider of software and services to the telecommunications industry, from 2009 to 2011. During the period from 2005 to 2009, he was also the vice-chairman and, then, the chairman of the board of the American Association of Publishers. Mr. Sarnoff currently serves on the boards of directors of Weld North, LLC, an investment affiliate of KKR, Cengage Learning, an educational services company owned by KKR, and Chegg, Inc., an educational services company. Mr. Sarnoff holds a B.A. degree in art history from Princeton University and an M.B.A. degree from Harvard Business School.

Skills and Qualifications. Mr. Sarnoff's qualifications for election to our Board include his experience serving as a chief financial officer and in a variety of other senior leadership roles both inside and outside of the media, entertainment and digital technology industries. He also brings to the Company strong leadership skills and business acumen, gained in part through his years of service on the boards of large, international public companies competing in diverse markets. Mr. Sarnoff qualifies as an audit committee financial expert (as defined in the applicable rules of the SEC) and is financially sophisticated within the meaning of the NASDAQ Rules.

Elaine Wynn

Co-founder of Wynn Resorts

Director Since 2013

Age 72

Business Experience. Ms. Wynn became a director of Activision Blizzard in October 2013. Ms. Wynn is a co-founder of Wynn Resorts, a developer and operator of high-end hotels and casinos, and has served as a director of the company since its inception in 2002. Prior to her current position, Ms. Wynn served in a similar capacity as director of Mirage Resorts from 1976 to 2000. Ms. Wynn is the founding chairman of Communities in Schools of Nevada and the chairman of the national board of Communities in Schools. In addition, Ms. Wynn is president of the Nevada State Board of Education. She is also on the board of trustees of the Los Angeles County Museum of Art, the board of

trustees of the Kennedy Center for the Performing Arts, the board of the Library of Congress Trust Fund and the board of governors of the Basketball Hall of Fame. Ms. Wynn holds a B.A. in political science from George Washington University.

Skills and Qualifications. Ms. Wynn's qualifications for election to our Board include her extensive experience in the entertainment field, stemming from her lengthy service as director of one of the top resort and casino companies in the world. Ms. Wynn also possesses strong leadership skills, illustrated by her numerous chairmanships in state and national-level organizations dedicated to educational reform, where she received numerous accolades for her service. Ms. Wynn's strong and practical leadership experience, as well as her in-depth knowledge about the operation of a large, international public company, demonstrates her aptitude for serving as director of the Company.

Required Vote and Board Recommendation

Each director is elected by the affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting.

Mr. Kotick, our Chief Executive Officer, and Mr. Kelly, the Chairman of our Board, may direct the voting of the shares held by ASAC II LP, an exempted limited partnership established under the laws of the Cayman Islands ("ASAC"), and acting by ASAC II LLC, its general partner. Messrs. Kotick and Kelly may also direct the voting of shares they beneficially own at their discretion, except they have agreed to vote any such shares which, when aggregated with ASAC's shares, represent shares of our Common Stock in excess of 24.9% (or, if the Settlement Agreement (as defined herein) is approved and the ASAC Stockholders Agreement (as defined herein) is amended in the manner contemplated by the Settlement Agreement prior to the Annual Meeting, 19.9%) of the issued and outstanding Common Stock either in a manner proportionally consistent with the vote of the shares of Common Stock not owned by them or ASAC or in accordance with the recommendation, if any, of a majority of the members of our Board not affiliated with ASAC. As of the record date for the Annual Meeting, ASAC and Messrs. Kotick and Kelly collectively held shares representing approximately 24.6% of our issued and outstanding Common Stock. Messrs. Kotick and Kelly are expected to vote the shares over which they have discretion FOR the election of each of the director nominees. For more information see "Certain Relationships and Related Transactions—Relationships and Transactions—Relationships and Transactions with ASAC—ASAC Stockholders Agreement" and "Certain Relationships and Related Transactions—Relationships and Transactions—Relationships and Transactions with ASAC—Settlement of Litigation Relating to 2013 Vivendi Share Repurchase Transaction" below.

The Board unanimously recommends that you vote FOR the election of each nominee for director.

[Back to Contents](#)**EQUITY COMPENSATION PLAN INFORMATION**

The following table sets forth information, as of December 31, 2014, with respect to shares of our Common Stock that may be issued under our existing equity compensation plans.

Plan Category	Number of shares of Common Stock to be issued upon exercise of outstanding options, warrants and rights ⁽¹⁾ (#)	Weighted average exercise price of outstanding options, warrants and rights ⁽²⁾ (\$)	Number of shares of Common Stock remaining available for future issuance under equity compensation plans (#)	
Equity compensation plans approved by stockholders:				
Activision, Inc. 2001 Incentive Plan, as amended (the "2001 Plan")	101,750	8.73	—	(3)
Activision, Inc. 2003 Incentive Plan, as amended (the "2003 Plan")	2,022,207	8.42	—	(3)
Activision, Inc. 2007 Incentive Plan (the "2007 Plan")	7,623,600	14.46	—	(3)
Activision Blizzard, Inc. 2008 Incentive Plan, as amended and restated (the "2008 Plan")	29,332,199	13.23	—	(3)
Activision Blizzard, Inc. 2014 Incentive Plan (the "2014 Plan" ⁽⁴⁾)	8,243,261	20.39	41,358,770	(5)
All stockholder approved plans	47,323,017	14.53	41,358,770	
Equity compensation plans not approved by stockholders:				
Activision, Inc. 1999 Incentive Plan, as amended (the "1999 Plan" ⁽⁶⁾)	34,400	7.00	—	(3)
Activision, Inc. 2002 Incentive Plan, as amended (the "2002 Plan" ⁽⁷⁾)	99,440	7.26	—	(3)
All non-stockholder approved plans	133,840	7.20	—	
TOTAL	47,456,857	14.50	41,358,770	

Reflects options to purchase shares of our Common Stock and, in the case of the 2008 Plan, 11,538,580 restricted share units, 2,622,988 of which have vesting tied to performance, and 3,646,972 performance shares, each (1) reflecting the right to receive a share of our Common Stock, and, in the case of the 2014 Plan, 2,784,996 restricted share units, 2,430,034 of which have vesting tied to performance, each reflecting the right to receive a share of our Common Stock.

(2) As there is no exercise price for restricted share units or performance shares, the values in this column represent the weighted average exercise price of any outstanding stock options under the relevant plan.

Upon adoption of the 2008 Plan, we ceased making awards under each of the following plans, although each remains in effect and continues to govern outstanding awards thereunder: the 2001 Plan; the 2003 Plan; the 2007 (3) Plan; the 1999 Plan; and the 2002 Plan. Similarly, upon the adoption of the 2014 Plan, we ceased making awards under the 2008 Plan. The 2001 Plan, the 2003 Plan, the 2007 Plan, the 2008 Plan, the 1999 Plan and the 2002 Plan are collectively referred to herein as the "Rolled Up Plans".

The 2014 Plan permits the granting of non-qualified stock options, incentive stock options ("ISOs"), stock (4) appreciation rights ("SARs"), restricted shares, restricted share units, performance shares, performance units and any other equity-based awards to our and any of our subsidiaries' directors, officers and other employees and consultants.

The number of shares reserved for issuance under the 2014 Plan may be increased from time to time by: (X) the number of shares relating to awards outstanding under any Rolled Up Plan that: (a) expire, or are forfeited, terminated or canceled, without the issuance of shares; (b) are settled in cash in lieu of shares; or (c) are exchanged, prior to the issuance of shares of our Common Stock, for awards not involving our Common Stock; (Y) if the exercise price of any stock option outstanding under any Rolled Up Plan is, or the tax withholding requirements with respect to any award outstanding under any Rolled Up Plan are, satisfied by withholding shares otherwise then deliverable in respect of the award or the actual or constructive transfer to the Company of shares already owned, the number of shares equal to the withheld or transferred shares; and (Z) if a SAR is exercised and settled in shares, the number of shares equal to the difference between the total number of shares with respect to which the award is exercised and the number of shares actually issued or transferred.

(5) On April 26, 1999, our Board approved the 1999 Plan. The 1999 Plan permitted the granting of non-qualified stock options, ISOs, SARs, restricted stock awards, deferred share awards and other equity-based awards to our or any of our subsidiaries' directors, officers, key employees, consultants, representatives and other agents, but only non-qualified stock options have been granted thereunder. All stock options granted under the 1999 Plan have an exercise price equal to the fair market value of a share of our Common Stock on the date of grant and a term of 10 years and they generally vest on a pro rata basis over a specified period of time or vest in their entirety on an anniversary of the date of grant (subject to possible earlier vesting if certain performance objectives are satisfied). The 1999 Plan expired on May 31, 2009; however, we ceased making awards under the 1999 Plan upon adoption of the 2007 Plan.

(6) On April 4, 2002, our Board approved the 2002 Plan. The 2002 Plan permitted the granting of non-qualified stock options, ISOs, SARs, restricted stock awards, deferred share awards and other equity-based awards to our or any of our subsidiaries' or affiliates' officers (other than executive officers), employees, consultants and advisors, but only non-qualified stock options have been granted thereunder. All stock options granted under the 2002 Plan have an exercise price equal to the fair market value of a share of our Common Stock on the date of grant and a term of 10 years and they generally vest on a pro rata basis over a specified period of time or vest in their entirety on an anniversary of the date of grant (subject to possible earlier vesting if certain performance objectives are satisfied). The 2002 Plan expired on April 3, 2012; however, we ceased making awards under the 2002 Plan upon adoption of the 2007 Plan.

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CORPORATE GOVERNANCE MATTERS

Overview

Our Board has long adhered to governance principles designed to assure its continued vitality and excellence in the execution of its duties. Our Board has responsibility for management oversight and providing strategic guidance to the Company. Our Board believes that it must remain well-informed about the issues, risks and opportunities facing the Company so that our Board members can exercise their fiduciary responsibilities to all of our stockholders. Our Board recognizes the importance of constantly improving our corporate governance practices and is committed to regularly reviewing the specific elements of our corporate governance framework and making changes to them when the Board deems them to be in the best interests of the Company and stockholders.

Board of Directors and Committees

Identification of Candidates for Election to our Board

Nominating and Corporate Governance Committee Process

Pursuant to our Corporate Governance Principles and Policies and the Nominating and Corporate Governance Committee's charter, copies of both of which can be viewed on our website at <http://investor.activision.com/corporate-governance.cfm>, the Nominating and Corporate Governance Committee identifies and evaluates potential candidates to serve as members of our Board. The committee may consider candidates suggested by its members, other directors, senior management or stockholders and may, at the Company's expense, retain search firms, consultants and other advisors to identify, screen and/or evaluate candidates. Candidates may be interviewed in person by directors and management.

The Nominating and Corporate Governance Committee will consider nominating persons who are submitted by stockholders, subject to the limitations described immediately below.

Stockholder Recommendation of Director Candidates

In accordance with our Corporate Governance Principles and Policies, our stockholders may nominate persons who qualify as independent under the NASDAQ Rules to serve as directors. The Nominating and Corporate Governance Committee will review the qualifications of, and make recommendations to our Board regarding, any such nomination which is submitted to us in writing and includes the following information:

the name, address, phone number and email address of the stockholder and evidence of the stockholder's ownership of our Common Stock, including the number of shares beneficially owned by such person and the length of time of ownership;

the name of the director candidate, the candidate's address, phone number and email address, the candidate's resume or a list of his or her qualifications to be a director of Activision Blizzard and the candidate's consent to be named a director if nominated; and

a description of any arrangements or understandings between the stockholder and the director candidate and any other persons (including those persons' names), pursuant to which the recommendation is made.

In addition, stockholders may submit candidates for election as directors in accordance with our Bylaws, as described under "Director Nominations and Other Stockholder Proposals for 2016 Annual Meeting; Communicating with the Board" below.

Experience, Skills and Other Characteristics of Our Director Candidates

In accordance with our Corporate Governance Principles and Policies, all director nominees, whether or not they are incumbent directors, should have the appropriate experience, skills and other characteristics required of Board members, assessed in the context of the perceived needs of our Board at the time, including:

Experience, Skills and Other Characteristics

Accounting/finance	Corporate governance
Entertainment industry background	Legal and regulatory knowledge
Strategic planning	International operations

In accordance with the Nominating and Corporate Governance Committee's charter, the Nominating and Corporate Governance Committee, in its selection of director candidates, considers the following attributes, among others: experience, knowledge, skills, expertise, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication and independence. The committee evaluates each director nominee's experience, skills and other characteristics to ensure that they are consistent with the interests of our stockholders and complementary with the existing Board's composition and needs. In doing so, it considers whether the nominee has experience or skills in the areas of entertainment, international operations, strategic planning, corporate

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governance, accounting and finance, law or other areas that are relevant to the Company's activities and our Board's effectiveness. It also takes diversity into account, seeking to ensure a representation of diverse perspectives and experience, although the Company's nominating procedures and policies do not prescribe specific standards for diversity.

Additionally, in accordance with its charter, the Nominating and Corporate Governance Committee annually oversees evaluations of our Board, the Board's committees and individual directors that assess the experience, skills, qualifications, diversity and contributions of each individual director, each standing committee of the Board and of the Board as a whole.

Independence Determinations

In making its determination regarding director independence, our Board reviews and discusses all relevant information regarding each director's relationships, transactions or arrangements, as required by the independence guidelines of the NASDAQ Rules, including current and prior relationships that each director or any of his or her family members has with the Company, our executive management and our independent accounting firm. To assist our Board in making these determinations, each director is required to complete a questionnaire on an annual basis.

Based on the information provided by each director concerning his or her background, employment and affiliations, our Board affirmatively determined that each of Messrs. Corti, Meyer, Morgado, Nolan and Sarnoff and Ms. Wynn is an independent director within the meaning of the NASDAQ Rules. Accordingly, the Board believes there are no such relationships or activities between the Company and any of them that require further review by the Board or that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, as none of these directors has a direct or indirect material relationship with the Company.

Board Leadership Structure

Our Board of Directors is led by the chairman of our Board, and that person does not also serve as our chief executive officer. The Board feels that this division is appropriate because our chief executive officer is responsible for the day-to-day management of the Company, while the primary responsibility of our Board is to oversee the chief executive officer's performance of his or her function. Having different individuals serve as the chairman and the chief executive officer allows the chief executive officer to focus on his or her operational responsibilities, while keeping a measure of independence between the oversight function of our Board and those operating decisions. If our Board were to select our chief executive officer to serve as chairman, the independent directors would, in accordance with our Corporate Governance Principles and Policies, consider the appointment of a lead independent director.

Other Directorates

Pursuant to our Corporate Governance Principles and Policies, our directors must obtain the approval of the Nominating and Corporate Governance Committee before accepting any board membership at another publicly held company and in no case can any director serve on the boards of more than four other publicly held companies.

Offer of Resignation Upon Change in Professional Role

Pursuant to our Corporate Governance Principles and Policies, unless the Nominating and Corporate Governance Committee determines otherwise, if an independent director retires, changes employment or otherwise has a significant change in his or her professional role or responsibilities that may reasonably be seen to affect his or her ability to serve, he or she must offer to resign from our Board. Similarly, unless our Board or the Nominating and Corporate Governance Committee determines otherwise, or he or she has an agreement with us to the contrary, if an employee director retires, resigns or otherwise has a significant change in his or her professional role or responsibilities, he or she must offer his or her resignation from our Board.

Our Board or, at our Board's discretion, the Nominating and Corporate Governance Committee will consider whether the continued service of any director so offering to resign is appropriate in light of that change and, if our Board or the Nominating and Corporate Governance Committee determines that the director continues to contribute significantly to the Company, his or her membership on our Board may continue.

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Board Meetings

In accordance with our Corporate Governance Principles and Policies, our Board must meet at least quarterly and in conjunction with the annual meeting of our stockholders. Our Board met seven times during 2014, including at least once per quarter and in conjunction with the 2014 annual meeting of our stockholders. Each person who served on our Board during 2014 attended at least 89% of the aggregate of (1) the total number of meetings held by our Board during the period for which he or she was a director and (2) the total number of meetings held by each committee on which he or she served during the period in which he or she so served during the year.

Our Corporate Governance Principles and Policies also require that the independent directors meet in executive session outside of the presence of management at least two times per year. Those directors met in executive session twice during 2014.

All persons serving as directors at the time attended the 2014 annual meeting and all directors are expected to attend the Annual Meeting.

Annual Board Self-Evaluation

In accordance with our Corporate Governance Principles and Policies, the Nominating and Corporate Governance Committee annually evaluates our Board's overall performance, the overall performance of each of the Board's standing committees and the performance of each individual director.

Board Committees

Our Board has three standing committees—the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee—each of which operates under a written charter approved by our Board. Further, from time to time, our Board may form special or *ad hoc* committees to which the Board delegates authority to administer certain of its duties.

The following table shows the membership of our Board's standing committees and the subcommittees of those committees since January 2014:

Name	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Robert J. Corti			
Brian G. Kelly			
Robert A. Kotick			
Barry Meyer			
Robert J. Morgado			(1)
Peter Nolan			
Richard Sarnoff			
Elaine Wynn			

Chairperson

Member of the Executive Nominating Committee until its dissolution in January 2014 and of the Vivendi

(1) Nominating Committee and the Independent Nominating Committee until their respective dissolutions in April 2015.

Audit Committee

Our Audit Committee's charter, which describes the composition and responsibilities of the committee, may be viewed on our website at <http://investor.activision.com/corporate-governance.cfm>.

With respect to membership on the Audit Committee, the charter currently provides that the committee must have at least three members and that:

- all Audit Committee members must be determined by the Board to be independent directors under the NASDAQ Rules and the rules of the SEC and otherwise satisfy the NASDAQ Rules with respect to audit committee membership;

- no director may serve as a member of the Audit Committee if that director serves on the audit committees of more than two other public companies, unless our Board determines that the simultaneous service would not impair the ability of that director to effectively serve on the Audit Committee;

- all Audit Committee members must understand fundamental financial statements;

- at least one Audit Committee member must be designated by the Board as an "audit committee financial expert" as defined in the applicable rules of the SEC; and

- no Audit Committee member can have participated in the preparation of the financial statements of Activision Blizzard or any of our current subsidiaries at any time during the three years prior to the proposed appointment of that Audit Committee member.

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Further, the NASDAQ Rules require that at least one Audit Committee member meets the financial sophistication requirements set forth in those rules.

The current members of the Audit Committee are Messrs. Corti, Morgado and Sarnoff. Based upon information provided by each director concerning his background, employment and affiliations, our Board has determined that each member of the Audit Committee is an independent director under the NASDAQ Rules and the rules of the SEC and that each otherwise satisfies the NASDAQ requirements for audit committee membership (including that each meets the independence criteria set forth in Exchange Act Rule 10A-3 and is able to read and understand fundamental financial statements). Our Board has also determined that each Audit Committee member is an audit committee financial expert as defined in the applicable rules of the SEC and that each is financially sophisticated within the meaning of the NASDAQ Rules.

The purpose of the Audit Committee is to oversee the accounting and financial reporting processes of Activision Blizzard and our subsidiaries and the audits of our financial statements and internal control over financial reporting. The Audit Committee's responsibilities include:

- selecting, evaluating and overseeing our independent registered public accounting firm, including determining that firm's compensation and evaluating that firm's independence;
- overseeing our annual audit and quarterly reviews;
- overseeing our financial reporting process and internal controls, including:
 - reviewing and discussing with the independent auditors the results of the annual audit of our financial statements, including any comments or recommendations of our independent registered public accounting firm, and, based on that review and discussions and other considerations, recommending to our Board whether our financial statements should be included in our Annual Report on Form 10-K; and
 - discussing with our management the Company's process for assessing and managing our exposure to risk;
- overseeing policies regarding hiring employees from our independent registered public accounting firm and establishing procedures for the receipt and retention of accounting-related complaints and concerns; and
- overseeing our policies relating to the ethical handling of conflicts of interest, including related party transactions.

Our independent registered public accounting firm reports directly to the Audit Committee.

Before we or any of our subsidiaries engage our independent registered public accounting firm to render audit or non-audit services, the Audit Committee must pre-approve the engagement. See "Audit-Related Matters—Pre-Approval Policies and Procedures" below for further detail. The Audit Committee's charter authorizes it to engage independent counsel or other consultants or advisors, as it deems appropriate.

In accordance with our Corporate Governance Principles and Policies and the Audit Committee's charter, the Audit Committee must meet at least quarterly. The Audit Committee met six times during 2014, including at least once quarterly.

Compensation Committee

Our Compensation Committee's charter, which describes the composition and responsibilities of the committee, may be viewed on our website at <http://investor.activision.com/corporate-governance.cfm>.

Membership and Responsibilities

With respect to membership on the Compensation Committee, the charter currently provides that the committee must have at least two members, both of whom must be:

- “non-employee directors” as defined in Rule 16b-3 under the Exchange Act;
- “outside directors” as defined under Section 162(m) (“Section 162(m)”) of the Internal Revenue Code, as amended (the “Internal Revenue Code”); and
- determined by the Board to be independent directors under the NASDAQ Rules.

The current members of the Compensation Committee are Mr. Corti, Mr. Morgado and Ms. Wynn. Based upon information provided by each director concerning his or her background, employment and affiliations, our Board has determined that each member of the Compensation Committee is an outside director as defined under Section 162(m), a non-employee director as defined in Rule 16b-3 under the Exchange Act and an independent director under the NASDAQ Rules. Our Board has also determined that none of the members of the Compensation Committee has a relationship to the Company that is material to such director's ability to be independent from management in connection with the duties of a Compensation Committee member.

The Compensation Committee discharges our Board's responsibilities relating to compensation paid to our directors and executive officers and evaluates and makes recommendations to our Board regarding compensation under our equity incentive plans and other compensation policies, programs, agreements and arrangements. Please see “Executive Compensation—Compensation Discussion and Analysis—Decision-Making Approach to Compensation for Executive Officers—Roles of the Key Participants in the Executive Compensation Decision-Making Process” and “—Compensation Risk Management” below for a description of such responsibilities. The Compensation Committee is also responsible for:

- reviewing and discussing compensation-related disclosure with our management, including in our proxy statement and annual report; and

- overseeing any proposals we submit to our stockholders on matters relating to executive compensation, including advisory votes on compensation and the frequency of such votes and approval of compensatory plans and any amendments to such plans.

The Compensation Committee may delegate its authority and duties to subcommittees, individual committee members or management, as it deems appropriate, in accordance with applicable laws, rules and regulations, provided that no subcommittee may consist of fewer than two members. As further described in “Executive Compensation—Compensation Discussion and Analysis—Decision-Making Approach to Compensation for Executive Officers—Roles of the Key Participants in the Executive Compensation Decision-Making Process”, the Compensation Committee consults with our management in formulating compensation plans, but ultimately the Compensation Committee exercises independent judgment in establishing our executive compensation program.

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In accordance with our Corporate Governance Principles and Policies, the Compensation Committee must meet at least four times annually. The Compensation Committee met eight times during 2014.

Engagement of Compensation Consultants

The Compensation Committee's charter authorizes it to engage independent counsel or other consultants or advisors, including compensation consultants, to advise the Compensation Committee with respect to compensation and benefits for our directors and our executives and other employees. Since October 2013, the Compensation Committee has engaged Exequity LLP ("Exequity"). In connection with the engagement of any compensation consultant, the committee assesses whether any potential conflicts of interest existed with the compensation consultant, using the following factors: other services, if any, the compensation consultant provided to us; the significance of the fees paid by us as a percentage of the compensation consultant's total revenues; the compensation consultant's policies and procedures designed to prevent conflicts of interest; any business or personal relationships between the compensation consultant's professionals engaged to advise our Compensation Committee and the members of our Compensation Committee; ownership of any Company stock by the compensation consultant professionals engaged to advise the Company; and any business or personal relationships between the compensation consultant professionals engaged to advise our Compensation Committee and our executive officers. Based on the evaluation of these factors, including information received from the compensation consultant addressing these factors, the committee concluded that Exequity's service to the committee did not raise any conflicts of interest.

For additional information regarding the Compensation Committee, including its use of consultants, see "Executive Compensation—Compensation Discussion and Analysis" below.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee's charter, which describes the composition and responsibilities of the committee, may be viewed on our website at <http://investor.activision.com/corporate-governance.cfm>.

The charter currently provides that the Nominating and Corporate Governance Committee must consist of at least three directors.

The current members of the Nominating and Corporate Governance Committee are Messrs. Meyer, Morgado and Nolan. Based upon information provided by each director concerning his background, employment and affiliations, our Board has determined that each member of the Nominating and Corporate Governance Committee is an independent director under the NASDAQ Rules.

The Nominating and Corporate Governance Committee's other responsibilities include:

- periodically evaluating the size of our Board and recommending to the Board any appropriate increase or decrease;
 - making recommendations to our Board regarding the size and composition of each standing committee of the Board;
 - reviewing our Certificate of Incorporation and our Bylaws as they relate to corporate governance matters and recommending changes to our Board;
 - overseeing the evaluation of our Board and its committees; and
- determining the appropriate engagement with shareholder groups and proxy advisory firms on our submissions to our
- stockholders (which, in the case of matters relating to executive compensation, will be done in conjunction with the Compensation Committee).

In accordance with our Corporate Governance Principles and Policies, our Nominating and Corporate Governance Committee is also responsible for evaluating any stockholder proposals submitted to us for inclusion in any proxy statement for, and consideration at, any meeting of our stockholders.

The Nominating and Corporate Governance Committee's charter authorizes it to engage independent counsel or other consultants or advisors as it deems appropriate, including a search firm to assist in the identification of director candidates.

In accordance with our Corporate Governance Principles and Policies and the Nominating and Corporate Governance Committee's charter, the Nominating and Corporate Governance Committee must meet at least twice annually. The Nominating and Corporate Governance Committee met three times during 2014.

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The Board's Role in Risk Oversight

It is the responsibility of our senior management to develop and implement the Company's financial, operating and strategic plans, and identify, evaluate, manage and mitigate the risks inherent in those plans. It is our Board's responsibility to understand and oversee those plans, the associated risks and the steps that senior management is taking to manage and mitigate those risks. The Board and its standing committees exercise this risk oversight function in a variety of ways, including:

Annually reviewing the conclusions and recommendations of our management with respect to current and future potential strategic enterprise-level risks and strategies used to mitigate such risks

Board of Directors

Annually reviewing succession plans for our senior-most officers

Communicating regularly with our management about risk oversight

Delegating certain risk management oversight functions to its standing committees, each of which regularly reports to our Board

Playing a key role in overseeing risk mitigation on behalf of our Board

Overseeing compliance with legal and regulatory requirements and the overall risk management process

Regularly receiving reports on significant internal controls, compliance risks and potential legal and regulatory risks, along with our management's plans for mitigating such risks

Audit Committee

Meeting privately on a regular basis with our chief audit executive and representatives of our independent auditor

Receiving regular guidance and feedback from representatives of the Company's independent auditor

Having full access to management and the ability to engage independent advisors

Overseeing risks that may be created by our compensation programs

Compensation Committee

Annually reviewing our incentive plans to determine if they encourage excessive risk

Having full access to management and the ability to engage independent advisors

Nominating and Corporate Governance Committee

Overseeing risks associated with overall governance and succession planning

Having full access to management and the ability to engage independent advisors

Compensation Risk Management

The Compensation Committee, together with legal counsel and members of our human resources team, reviews the Company's incentive compensation plans annually to determine if they encourage employees to take inappropriate risks that are reasonably likely to have a material adverse effect on the Company. During 2014, and again in 2015, this review consisted of an analysis of each of our incentive compensation programs for our executives and other employees, including eligibility, performance measures, payment targets and maximum payments, performance measurement, payment timing and governance (including the applicable approval process).

The incentive compensation plans in which our employees are eligible to participate are designed to encourage achievement of high levels of performance against challenging targets that are tied to achievement of the overall corporate strategy, while mitigating potential risks. The following factors help mitigate risk:

- performance measures are designed to focus executive performance on long-term stockholder value creation and do not encourage taking short-term risks at the expense of long-term results, balancing between financial, operational and qualitative targets and short-and long-term time horizons for achievement;
- although bonuses to our executives and our corporate employees under our Corporate Annual Incentive Plan (the "CAIP") are based on the achievement of annual target goals: (1) they represent just one element of our employees' total compensation; (2) the Compensation Committee approves the financial objectives and individual goals used to measure our executive officers' performance; (3) payments in respect

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of financial performance measures are capped at 150% to 200% of target, depending on the specific metric, and payments in respect of individual performance measures are capped at 120% of target; and (4) the Compensation Committee has discretion under the plan to reduce or eliminate payments based on individual performance;

although bonuses to our sales employees are based on the achievement of targets relating to the sales of our games: (1) they represent just one element of our employees' total compensation; (2) payments in respect of financial performance measures are capped at 125% to 200% of target, depending on the specific metric, and payments in respect of individual performance measures are capped at 120% of target; and (3) the Company has discretion under each plan to reduce or eliminate payments;

although bonuses to employees of our development studios are based on the achievement of targets relating to performance of the games being developed: (1) they represent just one element of our employees' total compensation; (2) aggregate payments in respect of each title are subject to certain caps; and (3) the Company has discretion under each plan to reduce or eliminate payments;

equity awards, which represent a meaningful portion of the compensation paid to our executives, are subject to a multi-year vesting schedule, and any vesting in respect of underlying performance measures is capped at 100%, 125% or 200% of target;

our stockholder-approved incentive plan limits the size and/or value of the short- and long-term incentive awards any individual may receive for any given fiscal year;

our Compensation Committee annually reviews and approves the equity award guidelines for all eligible employees of the Company; and

incentive awards generally require at least two levels of approval (including, in the case of any award to one of our executive officers, Compensation Committee approval and, for any executive other than the chief executive officer, the CEO's approval) and all equity-based awards to any employee require Compensation Committee approval in addition to any management-level approval.

We also have a number of governance policies in place that may also mitigate compensation-related risk, including:

our clawback policy, pursuant to which performance-based compensation may be recovered in the event of an earnings restatement if the amounts paid were in excess of what would have been paid had the restated numbers been used to determine payments;

provisions in our equity award agreements pursuant to which, should an executive officer breach his or her employment agreement with the Company, including his or her post-termination obligations, realized gain in respect of his or her awards may be recovered;

stock ownership guidelines for our executive officers, which require each executive to obtain and maintain equity ownership with a value equal to a specified multiple of his or her base salary (which guidelines are expected to be satisfied within five years of the policy's 2012 adoption or, if later, the executive officer's election);

our insider trading policies, which prohibit "shorting" our securities, engaging in "puts", "calls" or other hedging transactions involving our securities or using margin accounts with our securities; and

- our Code of Conduct, compliance with which must be certified by every employee.

Political Activities

Pursuant to our Code of Conduct, Company resources may not be used for employees' personal political activities, and lobbying activities are permitted only in compliance with applicable law and by individuals designated to represent the Company in such capacity.

Trade associations of which the Company is a member may take a stance on legislative matters or engage in lobbying on specific issues.

Code of Conduct

We have a code of ethics, our Code of Conduct, which applies to all of our directors and employees worldwide, including our chairman, chief executive officer and chief financial officer. We also have a chief compliance officer, who administers our ethics and compliance program. You can access a copy of our Code of Conduct on our website at <http://investor.activision.com/corporate-governance.cfm>. Furthermore, we will post any amendments to, or waivers of, the Code of Conduct that apply to our chairman, chief executive officer or chief financial officer, and any other related information, on that website.

Additional Corporate Governance Documentation

In addition to finding our Corporate Governance Principles and Policies, Audit Committee Charter, Compensation Committee Charter, Nominating and Corporate Governance Committee Charter and Code of Conduct on our website at <http://investor.activision.com/corporate-governance.cfm>, you can also find many of our other corporate governance documents. Please see "Helpful Resources" for more information.

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EXECUTIVE OFFICERS

The following are biographical summaries of our executive officers other than Mr. Kotick, for whom a biographical summary is set forth under “Proposal 1—Election of Directors” above.

Dennis Durkin

Chief Financial Officer of Activision Blizzard

Age 44

Dennis Durkin became our Chief Financial Officer in March 2012. Prior to joining the Company, Mr. Durkin held a number of positions of increasing responsibility at Microsoft Corporation, a computing hardware and software manufacturer, most recently serving as the corporate vice president and chief operating and financial officer of Microsoft Corporation’s interactive entertainment business, which included the Xbox console business. Prior to joining Microsoft Corporation’s interactive entertainment business in 2006, Mr. Durkin worked on Microsoft Corporation’s corporate development and strategy team, including two years where he was based in London, England driving pan-European activity. Before joining Microsoft Corporation, Mr. Durkin was a financial analyst at Alex. Brown and Company. Mr. Durkin holds a B.A. degree in government from Dartmouth College and an M.B.A. degree from Harvard University.

Eric Hirshberg

Chief Executive Officer of Activision Publishing, Inc.

Age 46

Eric Hirshberg became the Chief Executive Officer of Activision Publishing, Inc. (“Activision Publishing”), a subsidiary of Activision Blizzard and one of our two principal operating units, in September 2010. Prior to joining us, Mr. Hirshberg served in positions of increasing responsibility with Deutsch LA, a marketing and advertising agency, most recently serving as its co-chief executive officer and its chief creative officer. Prior to working at Deutsch LA, Mr. Hirshberg worked at Fattal & Collins, a marketing and advertising agency. Mr. Hirshberg holds a B.F.A. degree from the University of California at Los Angeles.

Brian Hodous

Chief Customer Officer of Activision Blizzard

Age 51

Brian Hodous became our Chief Customer Officer in July 2008 in connection with the Vivendi Games Combination and was the Chief Customer Officer of Activision Publishing from the time he joined the Company in November 2006 until the consummation of the Vivendi Games Combination. Prior to joining the Company, Mr. Hodous was employed by Cadbury Schweppes, an international confectionery and beverage company, where he was the group director and the executive vice president of global sales from 1999 to 2006. Prior to working at Cadbury Schweppes, Mr. Hodous served in various sales and senior management positions of increasing responsibility with Wyeth Pharmaceuticals, a pharmaceutical company, Pillsbury, a food products company, Drackett Products, a homecare products producer, and GlaxoSmithKline, a pharmaceutical manufacturer. Mr. Hodous holds a B.A. degree in marketing and management from Marquette University.

Michael Morhaime

President and Chief Executive Officer of Blizzard Entertainment, Inc.

Age 47

Michael Morhaime became Chief Executive Officer of Blizzard Entertainment, Inc. (“Blizzard Entertainment”) and an executive officer of Activision Blizzard in July 2008 in connection with the Vivendi Games Combination. In February 1991, Mr. Morhaime co-founded Blizzard Entertainment, now a subsidiary and one of our two principal operating units, and transitioned to the role of Blizzard Entertainment’s President in April 1998. Mr. Morhaime served on the executive committee of Vivendi Games, Inc. (“Vivendi Games”) from January 1999, when Blizzard Entertainment became a subsidiary of Vivendi Games, until the consummation of the Vivendi Games Combination, when Blizzard Entertainment became a subsidiary of the Company. Mr. Morhaime holds a B.S. degree in electrical engineering from the University of California at Los Angeles.

Humam Sakhnini

Chief Strategy and Talent Officer of Activision Blizzard

Age 46

Humam Sakhnini became our Chief Strategy and Talent Officer in February 2012. Prior to that, he served as our Executive Vice President of Corporate Strategy and Business Development from July 2009 until February 2012. Prior to joining the Company, Mr. Sakhnini was a partner with McKinsey & Company, a global management consulting firm, in its global media and entertainment practice. Prior to McKinsey & Company, Mr. Sakhnini founded and co-led ISGroup, a financial technology firm that provided technology solutions to mutual funds and hedge funds. Prior to that, Mr. Sakhnini held a number of positions of increasing responsibility at BMO Nesbitt Burns, Canada’s largest investment bank and brokerage firm, and the Ministry of Finance in Canada, where he worked on a variety of fiscal and monetary policies. Mr. Sakhnini holds a B.A. degree in economics from the University of Western Ontario, an

M.A. degree in economics from Queen's University at Kingston, and an M.B.A. degree from Yale University School of Management.

Thomas Tipl

Chief Operating Officer of Activision Blizzard

Age 48

Thomas Tipl became our Chief Operating Officer in March 2010. Prior to that, he served as our Chief Corporate Officer from March 2009 until March 2010. In addition, Mr. Tipl served as our Chief Financial Officer from July 2008 until February 2012. Mr. Tipl joined the Company as the Chief Financial Officer of Activision Publishing in October 2005. Prior to joining the Company, Mr. Tipl served as the head of investor relations and shareholder services at The Procter & Gamble Company, a manufacturer of consumer goods products, from 2004 to 2005. Mr. Tipl also served as the finance director of Procter & Gamble's Baby Care, Europe division and as a member of the board of directors of the joint venture between Procter & Gamble and Fater in Italy from 2001 to 2003. Mr. Tipl co-founded Procter & Gamble's Equity Venture Fund in 1999 and also served as the associate director of acquisitions and divestitures for Procter & Gamble from 1999 to 2001. Prior to 1999, Mr. Tipl served in various financial executive positions for Procter & Gamble in Europe, China and Japan. Mr. Tipl holds a master's degree in economics and social sciences from the Vienna University of Economics and Business Administration.

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Chris B. Walther

Chief Legal Officer of Activision Blizzard

Age 48

Chris B. Walther became our Chief Legal Officer in November 2009 and served as our Secretary from February 2010 until February 2011. Prior to joining us, Mr. Walther held a number of positions of increasing responsibility within the legal department of The Procter & Gamble Company from 1992 to 2009, including serving as the general counsel for Central and Eastern Europe, Middle East and Africa, general counsel for Northeast Asia and, most recently, as general counsel for Western Europe. Mr. Walther also led Procter & Gamble's corporate and securities and mergers and acquisitions practices. Before joining Procter & Gamble, Mr. Walther served as a law clerk for Senior Judge Harry W. Wellford of the United States Sixth Circuit Court of Appeals. Since 2012, Mr. Walther has served on the board of directors of the Alliance for Children's Rights. Mr. Walther has also served as our representative on the board of directors of the Entertainment Software Association since 2013. Mr. Walther holds a B.A. degree in history and Spanish from Centre College and a J.D. degree from the University of Kentucky College of Law.

None of our executive officers are related to any other of our executive officers or our directors and each executive officer holds office at the discretion of our Board and subject to the terms of that executive officer's employment agreement.

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EXECUTIVE COMPENSATION

The following discussion and tables set forth information with regard to compensation for services rendered by the named executive officers included in the “Summary Compensation Table” below (collectively, our “named executive officers” or “NEOs”) in all capacities to us and our subsidiaries during 2014.

Compensation Discussion and Analysis

This Compensation Discussion and Analysis describes the material elements of our executive compensation program and the rationale for the program elements and decisions, through:

- describing the business environment in which we operate and the resulting requirements for talent;
- summarizing our compensation philosophy and objectives;
- outlining our decision-making approach related to executive compensation; and
- describing the elements and rationale behind our compensation programs and awards for 2014, as well as additional enhancements for 2015.

This CD&A includes:

- Overview (page 26)**
- Decision-Making Approach to Compensation for Executive Officers (page 31)**
- Elements of Our Executive Compensation Program for 2014 (page 33)**
- Stock Ownership Guidelines (page 40)**
- Impact of Tax and Accounting Considerations (page 40)**

Overview

The Compensation Committee oversees Activision Blizzard’s compensation plans and policies, approves compensation for our executive officers and administers our stock compensation plans. This Compensation

Discussion and Analysis describes our executive compensation philosophy and programs, as well as compensation-related actions taken during 2014 for our named executive officers:

- Robert A. Kotick, our President and Chief Executive Officer;
- Dennis Durkin, our Chief Financial Officer;
- Thomas Tippl, our Chief Operating Officer;
- Michael Morhaime, the President and Chief Executive Officer of Blizzard Entertainment, one of our two principal operating units; and
- Humam Sakhnini, our Chief Strategy and Talent Officer.

Please see page 24 for biographical information with respect to our officers.

2014 Financial Highlights

2014 was another successful year for the Company, as we achieved record results and introduced new franchises with outstanding gameplay, expanded on exciting new business models and continued investing in some of the world's most important entertainment franchises. During 2014:

- We generated GAAP net revenues of \$4.41 billion and non-GAAP net revenues of \$4.81 billion.
- Our non-GAAP net revenues from digital channels⁽¹⁾ accounted for a record 46% of our total non-GAAP net revenues.
- Our 2014 GAAP operating margin was 27% and our non-GAAP operating margin was 32%.
- We delivered GAAP and non-GAAP diluted earnings per share of \$1.13 and \$1.42, respectively.
- We generated GAAP operating cash flow of almost \$1.3 billion.
- We delivered total shareholder return (*i.e.*, TSR) (through stock price appreciation and dividend payments) of over 14%.

⁽¹⁾ Non-GAAP net revenues from digital online channels represents revenues from subscriptions, licensing royalties, value-added services, downloadable content, digitally distributed products and wireless devices.

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2014 Operational Highlights

Our strong financial performance was driven by our operational execution during 2014. Highlights included⁽¹⁾:

Blizzard Entertainment launched *Warlords of Draenor*, the fifth expansion for the #1 subscription-based massively multiplayer online role-playing game (*i.e.*, MMORPG) in the world, *World of Warcraft*. The expansion sold-through more than 3.3 million copies as of the first 24 hours of its availability and helped drive *World of Warcraft* to more than 10 million global subscribers at the end of 2014⁽²⁾.

Blizzard Entertainment's *Diablo III: Reaper of Souls* was the #1 top-selling role-playing game on PC and, including its expansion and digital sales, *Diablo III* has sold more than 20 million copies worldwide across all platforms.

Blizzard Entertainment released *Hearthstone: Heroes of Warcraft*, a free-to-play digital strategy card game, which had more than 25 million registered players as of January 2015 and received multiple "game of the year" awards and nominations.

Activision Publishing's *Call of Duty: Advanced Warfare* was the #1 top-selling console game globally for the calendar year. Additionally, *Call of Duty* was the #1 franchise in North America for the sixth year in a row.

Activision Publishing's *Destiny* was the most successful launch of a new video game franchise in history. *Destiny* was also the #1 top-selling new video game IP and the #3 top-selling new release in North America and Europe, combined, for the calendar year.

Activision Publishing's *Skylanders* franchise had the #1 top-selling kids console game globally for the fourth year in a row.

- (1) According to The NPD Group, GfK Chart-Track and Activision Blizzard internal estimates, as the case may be. *World of Warcraft* subscribers include individuals who have paid a subscription fee or have an active prepaid card to play *World of Warcraft*, as well as those who have purchased the game and are within their free month of (2) access. Internet Game Room players who have accessed the game over the last thirty days are also counted as subscribers. The above definition excludes all players under free promotional subscriptions, expired or cancelled subscriptions, and expired prepaid cards. Subscribers in licensees' territories are defined along the same rules.

Three-Year Financial Performance Metrics

Our Compensation Committee believes that a significant portion of our executive compensation should be tied to performance. We have used measures we believe are robust indicators of our overall performance, including profitability and cash flow. The tables below demonstrate our performance over the past three years.

Activision Blizzard non-GAAP adjusted free cash flow is an internal measure calculated by subtracting
(1) *year-over-year cash changes related to working capital (excluding certain one-time items and timing of tax payments) and capital expenditures from the Company's non-GAAP net income (excluding the after-tax effect of interest and other income/expense as well as depreciation expense).*

(2) *Total shareholder return refers to the compound annual total rate of return on our Common Stock assuming the same-day reinvestment of dividends, calculated as of December 31st for each year.*

For information on the calculation and reconciliation of GAAP measures to non-GAAP measures, see Appendix A attached to this proxy statement. Non-GAAP measures exclude, as applicable: the impact of the change in deferred net revenues and related cost of sales with respect to certain of our online-enabled games; expenses related to
(3) *stock-based compensation; expenses related to restructuring; the amortization of intangibles and impairment of intangible assets and goodwill from purchase price accounting; fees and other expenses related to the Vivendi Share Repurchase Transaction (as defined below) and related debt financings; and the tax adjustments associated with any of the aforementioned items.*

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Aligning Pay with Performance

A portion of the potential annual compensation of each of our executive officers is the payment, if any, he may receive under the CAIP. That compensation, in turn, is contingent upon the executive achieving the financial and individual strategic targets set for him at the beginning of the relevant year. The following illustrates the directional relationship between the Company's 2014 performance, as measured by three of our key financial metrics, and the 2014 CAIP payments awarded to our executive officers, as compared to the range of potential payments:

Maximum payout potential as a percent of target as shown above represents the maximum bonus an executive was eligible to receive under the CAIP. For further detail on the 2014 bonus opportunities under the CAIP for our (1) named executive officers, please see “—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (i.e., the CAIP) and Other Performance-Based Bonuses—2014 Incentive Opportunities under the CAIP” below.

The graphic regarding actual payout ranges under the CAIP for 2014 also highlights the fact that, while the financial targets underlying the payment to each named executive officer were met or exceeded in each case, not every executive officer achieved all of his individual targets. Please see “—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (i.e., the CAIP) and Other Performance-Based Bonuses—2014 Incentive Opportunities under the CAIP” below for more information.

Our Compensation Program Best Practices

We continue to implement and maintain best practices in our executive compensation programs and policies. These practices include:

- **Performance-Based Vesting of Equity Awards**—We generally include performance-based vesting conditions for a significant portion of the equity awards granted to our senior officers.
- **Multi-Year Vesting of Equity Awards**—We grant equity awards to our executive officers that vest over multiple years.
- **No Guaranteed Incentive Bonuses**—The Compensation Committee exercises discretion in determining final award payments under the CAIP, and no bonuses are paid if a minimum financial objective is not achieved.
-

Balanced Goals Underlying Incentive Bonus—The CAIP opportunities for our executive officers include both financial and strategic objectives.

- **Two-Tier Approval for Incentive Awards**—We generally require at least two levels of approval for incentive awards (*i.e.*, management and our Compensation Committee).

- **Stock Ownership Guidelines**—We have meaningful stock ownership guidelines for our executive officers. For additional information, see “—Stock Ownership Guidelines” below.

- **Formal Risk Management Programs**—We maintain strong internal controls, governance and review structures, as well as formal risk-management programs.

- **No Hedging of Company Stock**—We prohibit our employees from directly or indirectly “shorting” our securities, engaging in “put” or “call” or other “hedging” transactions involving our stock or establishing or using a margin account with a broker-dealer to trade our securities (although we waived that prohibition for Messrs. Kotick and Kelly for the limited purpose of the acquisition, holding and pledge of any shares acquired in connection with the 2013 purchase by ASAC of our Common Stock from Vivendi, S.A. (“Vivendi”) (the “ASAC Private Sale”)).

- **Clawback Policy on Variable Pay**—In the event of an earnings restatement, we may “claw back” performance-based compensation (including both annual and long-term incentive awards) paid to executives.

- **No Stock Option Repricing**—The 2014 Plan and 2008 Plan both prohibit the repricing of “underwater” equity awards.

- **Independent Consultant Reporting Directly to Compensation Committee**—The Compensation Committee engages the services of an independent executive compensation consultant that has no other relationship with the Company or its management. For additional information regarding the Compensation Committee’s engagement of consultants, see “Corporate Governance Matters—Board of Directors and Committees—Board Committees—Compensation Committee—Engagement of Compensation Consultants” above.

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Peer Group Review—The Compensation Committee monitors our peer group to ensure it continues to reflect an appropriate mix of the industry segments in which we compete, or plan to compete, for key talent. For additional information regarding our peer group, see “—Decision-Making Approach to Compensation for Executive Officers—Compensation Surveys and Peer Company Data Referenced” below.

Actions in Response to Our Recent Shareholder Advisory Votes on Executive Compensation

Approximately 69% of the votes cast at the 2014 annual meeting of our stockholders were in favor of approving our “say-on-pay” proposal. Considering these results and after engaging with key stakeholders, the Compensation Committee performed a thorough review of our compensation practices. Although the Compensation Committee concluded that our general compensation philosophy remains appropriate, the Compensation Committee did identify specific areas for adjustment based on stockholder feedback, the most significant of which are described below. The Compensation Committee also reemphasized our core philosophy of tying pay with performance, so that the compensation our officers ultimately realize is largely contingent upon achieving the ambitious goals we establish for them.

As noted, in response to past “say-on-pay” results, and in advance of the 2014 annual meeting, members of our management conducted a stockholder outreach effort in 2014 aimed at soliciting feedback from a number of our largest stockholders. A summary of the feedback received was presented to the Compensation Committee in July 2014 and the items raised in that feedback have been discussed regularly by the Compensation Committee since that time.

While our use of long-term employment agreements with our executive officers generally prevents us from making immediate changes to our executive compensation program, the Compensation Committee has incorporated the stockholder feedback into its decision-making process. Since the 2014 annual meeting of our stockholders:

- no discretionary cash awards have been awarded to any named executive officer;
- no time-based vesting restricted share units have been granted to any named executive officer (with the exception of Mr. Morhaime, as his employment agreement, which was last amended in 2010, provides that we will grant him a specified number of such restricted share units each year); and
- no time- or performance-based equity awards with the right to dividend equivalents have been granted to any named executive officer.

The Compensation Committee takes the feedback received from stockholders seriously and will continue to incorporate such feedback into its decision making process.

Highly Competitive Business Environment and Associated Talent Requirements

We operate in the entertainment software industry, which sits at the convergence of the entertainment and leisure, technology and consumer packaged goods sectors. Our industry is intensely competitive and constantly evolving. It features a number of unique characteristics, including:

- a dependence on a relatively small number of titles for a disproportionate level of revenues and profits;
- rising costs of development, partially due to increasingly complex technological requirements;
- an increasing importance on building and growing key franchises with sustained game quality; and
- a global consumer base that expects entertainment content delivered through an increasingly varied range of channels, including digital distribution.

We believe that, in order to succeed in this fast-changing business environment, we require executive talent with very specialized qualifications, including the following:

- significant global experience managing complex brands and franchises;
- in-depth knowledge of sophisticated strategies and operational models in the digital and entertainment segments; and
- aptitude for, and experience in, managing entertainment and technology products and talent in a rapidly changing, high-risk environment.

Finding top executives with these characteristics requires recruitment of executives from a variety of industries, including those that are larger and more mature, including entertainment and leisure, technology and consumer packaged goods companies.

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Compensation Philosophy and Objectives

To respond to these requirements for top executive talent, the Compensation Committee has established the following philosophy and objectives for the compensation of our executive officers:

What We Do

Align Compensation with Stockholder Interests—A substantial portion of the compensation opportunity should be variable, linked to performance metrics that are intended to increase stockholder value, and be stock-based, so that executive compensation is aligned with the interests of stockholders.

Focus on Pay for Performance—Annual and long-term incentive awards should be linked to the Company’s financial performance, incentivizing executives to drive corporate performance.

Create Clearly Defined Short- and Long-Term Goals Aligned with Our Strategy—Performance goals, both short- and long-term, should be clearly defined to provide clear alignment between our business strategy, financial results and incentive payments.

Offer Competitive Total Compensation—Compensation should reflect the competitive talent market from which we recruit. Total direct compensation (as defined herein) should be targeted to attract, retain and motivate the highest caliber talent, as well as to reward outstanding performance.

Use an Independent Compensation Consultant—Our Compensation Committee should receive advice and analysis regarding executive compensation from a consultant that is independent and performs no other work for the Company.

Preserve the Tax Deductibility of Compensation—We should generally strive to preserve the tax deductibility of the compensation paid to our executives.

Use Publicly Available Data in Calculating Compensation—Only publicly reported metrics should be utilized in the assessment of short- and long-term financial performance goals, to ensure a fair and accurate assessment of those goals.

Use Employment Agreements to Attract and Retain Key Executive Talent—Employment agreements should be used to attract and retain executive talent.

Use “Upfront” Equity Grants—One-time “upfront” equity grants should be made in connection with an executive’s hire and with any promotion or other change in his role or responsibilities or the extension of his term of employment, rather than on an annual basis.

What We Don’t Do

Frequently Replace Our Management Team—Entering into employment agreements with each of our executive officers encourages long-term and invested relationships between them and the Company.

Put Our Executives Before Our Stockholders—Executive compensation that is variably linked to the performance of the Company helps to align the goals and interests of executive officers and stockholders.

Incentivize Excessive Risk Taking—Performance goals linked to our executive compensation do not encourage or incentivize excessive risk taking or risk exposure.

Use Arbitrary Performance Metrics—We do not use arbitrary or unreliable measurements of performance in assessing performance-based executive compensation.

Make Biased Compensation Decisions—Reviewing our executive and director compensation plans with an independent consultant introduces an unbiased and professional perspective on executive compensation.

Why Do We Use Employment Agreements?

We believe that having employment agreements with our named executive officers is critical in enabling us to attract and retain talent in a highly competitive industry and, as such, we have entered into an employment agreement with each of them. The employment agreements specify base salary, any minimum annual salary increase, annual incentive targets and the terms and conditions of equity awards, and include provisions regarding the consequences of termination of employment and restrictive covenants, including non-competition and non-solicitation provisions. The terms of each of these agreements have been approved by the Compensation Committee, which utilized its judgment to determine the appropriate amount and form of compensation and other terms of employment necessary to recruit, retain and motivate the executive, based in part upon the negotiations with the executive. Please see “—Employment Agreements” below for further information about the agreements with our named executive officers.

Why Do We Use “Upfront” Equity Grants?

Each named executive officer receives one-time “upfront” equity grants in connection with his hire and with any promotion or other change in role or responsibilities or the extension of his term of employment.

These equity grants generally vest over the contract term, either upon attainment of specified performance objectives or ratably, providing the executive with a significant equity position up front, which we believe enhances retention. With the exception of Mr. Morhaime, whose employment agreement provides for annual equity grants, consistent with the compensation to which he was entitled from Vivendi Games prior to the Vivendi Games Combination, our named executive officers generally do not receive additional equity. Please see “—Employment Agreements” below for further information about these equity awards.

How Do We Determine the Size of Equity Grants?

In order to remain the leader in our industry, we must attract, retain and motivate the highest caliber talent, as well as reward outstanding performance. As such, in determining the estimated size of equity grants, values are typically targeted such that, when combined with base salary and target annual cash incentives, the annualized “total direct compensation” (*i.e.*, the sum of salary, bonuses and the annualized value of equity awards) generally approximates the 75th percentile when compared to our peer group and other applicable benchmarks.

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Decision-Making Approach to Compensation for Executive Officers

Roles of the Key Participants in the Executive Compensation Decision-Making Process

Decisions regarding compensation for our executive officers are at the sole discretion of our Compensation Committee. To help inform these decisions, the Compensation Committee regularly reviews materials, advice and analysis provided by our management and external compensation consultants in deciding on executive compensation matters, as described in more detail below.

Compensation Committee

- Reviews and approves our compensation philosophy and all compensation programs applicable to executive officers who
 - are subject to Section 16 of the Exchange Act and employees whose targeted annual cash compensation exceeds, or is proposed to exceed, \$2 million.
- Establishes and evaluates the Company's long-term strategy for employee compensation.
- Reviews and approves the corporate goals and objectives relevant to our chief executive officer's compensation;
 - evaluates his performance in light of those goals and objectives; and determines his compensation based on that evaluation.
- Selects and monitors the Company's peer group.
- Evaluates compensation-related information and
 - recommendations provided by management and outside advisors.
- Annually reviews the compensation payable to our Board of Directors.
- Administers our equity incentive plans, including:
 - approval of equity grant guidelines;
 - approval of all equity awards; and
 - monitoring our equity usage and resulting potential dilution.
- Reviews and approves executive officer employment and severance agreements.
- Evaluates broad industry trends and practices.
- Engages, retains and, where appropriate, terminates its independent compensation consultant.

For additional information regarding the Compensation Committee, see "Corporate Governance Matters—Board of Directors and Committees—Board Committees—Compensation Committee" above.

Compensation Committee's Independent Compensation Consultant

- Reports directly to the Compensation Committee and regularly attends Compensation Committee meetings.
- Consults with the members of the Compensation Committee outside of formal committee meetings and without the participation of management, when requested by the committee.
- At the Compensation Committee's direction, interacts with our management from time to time in order to obtain information it deems necessary to form its recommendations to the committee.
- Provides the Compensation Committee advice on the appropriateness and market competitiveness of our executive and director compensation programs.
- Presents third-party data and provides advice and expertise on director and executive compensation trends, pay programs and pay levels and other emerging "best practices" relating to such compensation.
- Analyzes materials provided by management to the Compensation Committee to ensure that those materials are consistent with the Company's stated philosophy with respect to director and executive compensation and reasonable vis-à-vis the Company's peer group.
- Assists the Compensation Committee with its determination as to who should be included in the Company's peer group, and reviews current peer group members.

Since October 2013, the Compensation Committee has retained Exequity as its independent compensation consultant.

Executive Officers and Management

- Our management assists the Compensation Committee in formulating the Company's compensation programs and plans, including by, among other things:
 - supporting the development of the materials for each Compensation Committee meeting;
 - regularly advising the Compensation Committee with respect to our business strategies and operational goals and plans;
 - regularly making recommendations to the Compensation Committee on the Company's compensation practices, including with respect to effective types of incentive rewards and the individual performance of our executives; and
 - monitoring the Company's peer group and trends in the market.
 - Our chief executive officer reviews the performance of the Company's executive officers and provides his recommendations to the Compensation Committee on our officers' compensation.
- No member of our management has a direct role in determining his or her own compensation. Further, decisions pertaining to the compensation of our chief executive officer are reviewed and discussed by the Compensation Committee in executive session, without the presence of the chief executive officer or any other member of our management.

During 2014, the Compensation Committee consulted with our named executive officers, as well our Chief Legal Officer, Mr. Walther, and our Chief Compliance Officer and Corporate Secretary, Jeffrey Brown.

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Factors Influencing Compensation Decisions

In general, the Compensation Committee evaluates a variety of factors when making compensation decisions for our executive officers, including:

- the executive's skill set, experience, historical performance and expected future contributions to the Company;
- the potential effect of an executive's departure if he or she were to leave the Company;
- as a reference for internal pay equity, the level of total compensation for our other senior executives; and
- to provide a market reference, compensation data from our peer group and published surveys.

Additionally, the terms on which any given executive officer is employed reflect the Compensation Committee's independent judgment as to the amount and form of compensation necessary to recruit, retain and motivate that individual.

Total Direct Compensation Target

The Compensation Committee generally targets total direct compensation for our executive officers at the 75th percentile of our peer group and relevant survey data, believing that doing so best enables us to attract, retain and motivate the highest caliber talent, given the highly competitive market for executive talent in which we compete. This review is done both at the inception of an executive's employment and on an annual basis.

Compensation Surveys and Peer Company Data Referenced

In reviewing the compensation of our executive officers, the Compensation Committee, with the support of its independent consultant and our management, annually consults third-party surveys prepared by compensation specialists with respect to companies with comparable revenues, market capitalization, industry focus, number of employees and other similar business-related factors in order to discern broader compensation trends in the market. During 2014, the surveys referenced included ones published by Croner and Radford.

In addition, the Compensation Committee utilized compensation data obtained from SEC filings made by companies among our peer group, discussed in more detail below, including compensation elements of the named executive officers of those companies, company-wide equity usage rates and potential dilution from employee stock awards and stock option grants.

The surveys and peer group data help the Compensation Committee understand the sectors in and with which we compete for talent, including, without limitation, gaming, entertainment and leisure, technology and consumer products.

Benchmarking our executive compensation programs and policies against the unique video and computer gaming industry is challenging given the limited number of direct competitors, particularly those which are publicly traded, U.S.-based publishers for which there is publicly-available information regarding their executive compensation programs and policies. Additionally, we frequently compete for executive talent with other industries. Therefore, the Compensation Committee has selected a 17-company peer group from across the four industry segments it believes best represent our business model and potential executive talent pool:

Gaming—Our core business, the video and computer gaming industry is a niche market in which we directly compete for consumer market share and talent;

Entertainment and Leisure—Generally multinational in nature, the entertainment and leisure industry is one with which we compete for talent and increasingly compete for consumer market share through digital content delivery;

Technology—Generally multinational in nature, the technology industry is one with which we compete for talent; and

Consumer Packaged Goods—Generally multinational in nature, the consumer packaged goods industry is one with which we compete for talent.

Our peer group represents a diversified yet targeted collection of companies that, like us, operate both in the United States and internationally. In general, our peer group consists of companies with similar levels of annual revenues, but it includes some companies whose revenue levels we have surpassed in recent years and some we strive to surpass in the future. Our 2014 revenues of \$4.4 billion approximated the 29th percentile among these peer group companies. Revenues, in billions, as reported by each such company for its most recently ended fiscal year are shown below:

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Our management and Compensation Committee monitors our peer group as our business model and potential talent pool evolve, to ensure the companies to which we reference continue to reflect an appropriate mix of the industry segments in which we compete, or may compete, for key talent.

While the peer group provides the Compensation Committee with an important frame of reference, the Compensation Committee, as it deems appropriate, considers the compensation practices of other companies with which we compete directly for executive talent. Furthermore, we evaluate broader industry trends and practices to determine the appropriate elements of compensation and the effective design of each element.

Elements of Our Executive Compensation Program for 2014

An overview of the primary elements of our executive compensation program and their purposes is presented below. Not all of these elements are applicable to all named executive officers. Our compensation philosophy, including our use of equity awards, has allowed us to recruit, retain and motivate the best talent in our industry, as evidenced by our performance. We aim to incentivize our executives to drive corporate financial performance by basing a significant portion of their compensation on achieving financial and individual strategic targets.

Compensation Element	Purpose	Principal Actions for 2014
Salary	Compensate for day-to-day responsibilities.	NEO salaries increased 2.75%-5% as a result of the annual review process.
Annual bonus (<i>e.g.</i> , Corporate Annual Incentive Plan)*	Drive annual corporate and business unit financial results, as well as individual contributions toward strategic initiatives.	Financial metrics for NEOs included profitability and non-GAAP adjusted free cash flow measures. NEOs received CAIP-related payouts ranging between 84% and 111% of target as a result of financial and individual performance.
Equity awards (<i>i.e.</i> , restricted share units, primarily with performance-based vesting criteria, and stock options)	Create alignment with stockholders, drive long-term stockholder value and promote employee retention.	None of our NEOs, with the exception of Mr. Morhaime, received an award as part of our annual equity grant. As previously noted, our executives generally receive “upfront” grants in connection with the entry into, or extension of, employment agreements. As such, Messrs. Sakhini and Tippl each received one-time “upfront” grants during 2014 in connection with the extension of his employment agreement.
Health and welfare benefits; perquisites	Provide modest supplemental benefits to attract key talent. Provide modest supplemental	NEOs participated in generally the same benefits programs we make available to all of our employees and received limited perquisites.
Retirement payments/benefits	post-retirement benefits to attract key talent.	NEOs participated in the 401(k) plan we offer to all other employees.
Limited change of control and termination of	Ensure balanced assessment of, and contribution to,	No change of control or termination payments were triggered for any NEOs.

<p>employment payments/benefits</p>	<p>merger and acquisition activity and fair treatment in the event of termination.</p>	<p>No NEOs other than Mr. Kotick have change of control protection; Mr. Kotick waived any rights to payments, benefits and equity vesting in relation to the consummation of the Vivendi Share Purchase Agreement.</p>
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*In addition to the compensation elements described above, Mr. Morhaime also participates in the Blizzard Bonus Plan, which provides him with an annual discretionary payment, and a Blizzard Entertainment profit-sharing *program under the 2014 Plan (the “Morhaime Profit Sharing Plan”), which provides Mr. Morhaime with a share of Blizzard Entertainment’s operating profit, and each thereby provides him with a meaningful incentive to continue to drive the profitability of the Blizzard Entertainment operating unit.*

Salary

As noted above, each of our named executive officers is party to an employment agreement with us that specifies, among other things, such executive’s initial salary and any contractually guaranteed minimum annual salary increases. Aside from any contractually guaranteed minimum requirements, salary increases are generally only provided to an executive officer:

upon his or her hire or entry into a new or revised employment agreement with the Company or one of its subsidiaries, or in connection with our annual review of executive base salaries, where increases are determined based on performance during the previous fiscal year, with reference to competitive market data and salaries of our other executives for internal pay equity purposes.

As it does each year, in March 2014, the Compensation Committee reviewed a competitive target compensation assessment for each executive officer using our peer group and survey data to evaluate the competitiveness of our executive compensation program, including potential base salary increases for 2014. For information about our peer group, see “—Compensation Surveys and Peer Company Data Referenced” above. After considering each executive’s performance during 2013 and the target total compensation for each of our senior executives vis-à-vis the market data, the Compensation Committee established 2014 annual base salary rates for our named executive officers. The same process was followed in March 2015, after considering each executive’s performance during 2014.

The table below reflects the salaries approved for 2014 and 2015, along any other adjustments during 2014 and any increases to which the executives were entitled under their contracts:

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Name	Salary as of 12/31/2013	Salary as Adjusted During 2014 ⁽¹⁾	Increase per 2014 Annual Review ⁽¹⁾	Salary Approved for 2015 ⁽¹⁾	Increase per 2015 Annual Review ⁽¹⁾	Contractual Entitlement
Robert A. Kotick	\$ 2,100,000	\$ 2,188,200	(2) 4.2	% ⁽²⁾ \$ 2,275,728 ⁽²⁾	4.0	% Minimum of avg. increase of executive team (excluding increases in connection with promotions and contract guarantees)
Dennis Durkin	\$ 682,500	\$ 716,625	5.0	% \$ 752,456	5.0	% Not less than 5.0% per year
Thomas Tippl	\$ 1,250,000	\$ 1,250,000	(3) —	(3) \$ 1,300,000	4.0	% Minimum of avg. increase of executive team (excluding increases in connection with promotions and contract guarantees)
Michael Morhaim	\$ 863,375	\$ 887,118	2.75	% \$ 922,603	4.0	% None
Humam Sakhnini	\$ 630,000	\$ 661,500	5.0	% \$ 700,000	(4) —	(4) None

(1) Other than as discussed in footnotes (2) and (3) below, the increases to base salary for 2014 were effective on March 2, 2014 and the increases for 2015 were effective on March 1, 2015.

(2) Mr. Kotick's annual base salary for any year is determined in March, in connection with our annual review of executive base salaries, but, in accordance with his employment agreement, the increases to that base salary are retroactively effective to January 1st of the year.

(3) In accordance with his employment agreement, as amended in December 2013, Mr. Tippl's annual base salary was increased effective as of December 5, 2013 and was not eligible for further increase during the 2014 annual review of executive base salaries.

(4) In accordance with his employment agreement, as amended in October 2014, Mr. Sakhnini's annual base salary was increased by 5.8% effective March 1, 2015.

The Compensation Committee may, at its discretion, further adjust the salary of any of our named executive officers at any time.

Corporate Annual Incentive Plan (i.e., the CAIP) and Other Performance-Based Bonuses

2014 Incentive Opportunities under the CAIP

To qualify the payments to our executives under the CAIP for 2014 for tax deductibility, while retaining flexibility to make downward adjustments to reflect each executive's actual performance, the awards were structured so that there was a single performance objective that, if met or exceeded, would result in the payment of a bonus to each executive of the maximum allowed under the 2008 Plan, subject to the Compensation Committee's use of negative discretion. That is, if our 2014 non-GAAP operating income was at least 75% of the non-GAAP operating income target for the year set forth in the annual operating plan approved by our Board for that year (such plan for any given year, the "AOP"), the bonus to be paid to each executive would be \$10,000,000 less the amount of any other "senior executive plan bonus" within the meaning of the 2008 Plan that was paid or to be paid to that person for 2014, subject to the Compensation Committee's use of negative discretion to reduce or eliminate that bonus.

The Compensation Committee, when approving the 2014 CAIP opportunities, expressed the intent to reduce or eliminate all such bonuses if our 2014 non-GAAP operating income was not 85% or more of the non-GAAP operating income target for the year set forth in the 2014 AOP. The Compensation Committee also expressed the intent to reduce the bonus for each executive officer to the amount for which he was eligible in accordance with the formula described below under "—Resulting 2014 Payments under the CAIP", which is based, in part, on his target and maximum opportunity.

In setting the minimum, target and maximum payout opportunities for each of our named executive officers under the CAIP for 2014, the Compensation Committee considered any requirements set forth in the applicable employment agreements, competitive market data, our desired pay mix and the compensation levels of our other senior executives. If a named executive officer satisfied (but did not exceed) all performance goals, the executive officer was eligible to receive a payment equal to his target payment, although the Compensation Committee retained the discretion to reduce this amount. Payments under the CAIP for 2014 to our named executive officers could have ranged as follows:

Name	2014 Corporate Annual				
	Incentive Plan Payout				
	Opportunity (% of Salary)				
	Minimum	Target		Maximum⁽¹⁾	
Robert A. Kotick	0%	200 %		311	%
Dennis Durkin	0%	100 %		156	%
Thomas Tippl	0%	150 %		233	%
Michael Morhaime	0%	27 % ⁽²⁾		43	%
Humam Sakhnini	0%	75 %		119	%

The maximum percentages of salary vary for each executive based on the target opportunity as a percent of salary, mix of measures, weightings and maximum payment with respect to each performance measure under the 2014 CAIP. Maximum payment under the CAIP as a percent of target for each measure is shown in the tables below; the maximum payment under the 2008 Plan for all "senior executive plan bonuses" to each executive is \$10,000,000.

In accordance with his employment agreement, Mr. Morhaime's target CAIP opportunity is 27% of his salary. In addition to being eligible for a CAIP bonus, Mr. Morhaime is also eligible to participate in the Blizzard Bonus Plan and the Morhaime Profit Sharing Plan, both of which are discussed in more detail below (see "—Other Cash Bonus Programs or Awards for 2014").

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Determination of 2014 Performance Goals for the CAIP

Our Compensation Committee established the financial and individual strategic performance goals based on the 2014 AOP.

Financial Objectives. For our named executive officers, 60% of their target opportunity under the CAIP for 2014 was weighted on measures of non-GAAP profitability and non-GAAP adjusted free cash flow. The Compensation Committee believes that non-GAAP profitability and non-GAAP adjusted free cash flow are robust indicators of our overall performance, capturing fluctuations in sales as well as operating costs, and, as such, provide incentives to our executives to achieve goals that contribute to increasing stockholder value. Other measures the committee considered but excluded when initially designing the CAIP included revenues, excluded because it does not capture operating costs, and TSR, excluded because it is already a focus of our equity incentive plan.

Individual Performance Measures. Forty percent of the target opportunity for each named executive officer under the CAIP for 2014 was based on individual performance measures that supported our overall strategy and the officer's business unit's objectives for the year, such as successful product launches, controlling costs and strategic hiring decisions.

The Compensation Committee believes that the specific goals chosen required significant profitability, demanded superior performance from our management team and drove accountability for Activision Blizzard and/or applicable business units for each executive.

In addition, and as noted above, the Compensation Committee expressed the intent to reduce or eliminate all bonuses under the CAIP if our 2014 non-GAAP operating income was not 85% or more of the non-GAAP operating income target for the year set forth in the 2014 AOP.

Our Compensation Committee also established limits on the payments made under the CAIP for "overachievement". Payments in respect of individual performance measures are capped at 120% of the underlying target amount. The following table illustrates the relationship between the achievement of the financial measures and the resulting payouts to our executive officers:

[Back to Contents](#)**Achievement of Metrics Underlying 2014 Financial Goals for the CAIP**

The 2014 financial performance goals that the Compensation Committee approved for use in connection with the CAIP and other performance-related compensation were based on our 2014 AOP. The number of titles we release fluctuates from year-to-year and, as such, the financial goals underlying our AOP for a year may be lower than the goals—or results—from a prior year. The achievement of the financial performance goals relevant to the bonuses of our named executive officers under the CAIP for 2014 is set forth below:

Non-GAAP Financial Performance Measures⁽¹⁾ (dollars in millions, except share-based amounts)	Performance Goals and Actual Results				
	AOP Goal	Actual Results⁽²⁾	Actual Achievement	Resulting CAIP Achievement	
Activision Blizzard Operating Income ⁽³⁾	\$1,464.5	\$1,527.0	104.3	%	104.3 %
Activision Blizzard Diluted Earnings Per Share ⁽⁴⁾	\$1.26	\$1.42	112.7	%	112.7 %
Activision Blizzard Adjusted Free Cash Flow ⁽⁵⁾	\$1,040.0	\$1,359.0	130.7	%	130.7 %
Blizzard Entertainment Adjusted Operating Income ⁽³⁾	\$474.5	\$756.5	159.4	%	159.4 %

The corporate performance measures used in the CAIP are non-GAAP financial measures. An explanation of how (1) these measures were calculated is provided in the following footnotes. For additional information on the reconciliation of GAAP measures to non-GAAP measures, see Appendix A attached to this proxy statement.

For purposes of determining CAIP performance, financial goals may, at the discretion of the Compensation Committee, exclude the impact of any extraordinary transaction (i.e., non-recurring corporate transaction or legal expense matter which results in expenses exceeding \$10,000,000 for the year). No such adjustments were made for (2) 2014.

Non-GAAP operating income measures exclude, as applicable: the impact of the change in deferred net revenues and related cost of sales with respect to certain of our online-enabled games; expenses related to stock-based (3) payments; expenses related to restructuring; the amortization of intangibles and impairment of intangible assets and goodwill; and the tax benefits adjustments associated with any of the aforementioned items.

Activision Blizzard non-GAAP diluted earnings per share is calculated by dividing non-GAAP net income by (4) weighted average diluted shares.

Activision Blizzard non-GAAP adjusted free cash flow is an internal measure calculated by subtracting (5) year-over-year cash changes related to working capital (excluding certain one-time items and timing of tax payments) and capital expenditures from the Company's non-GAAP net income (excluding the after-tax effect of interest and other income/expense as well as depreciation expense).

Resulting 2014 Payments under the CAIP

For 2014, the threshold level of 85% of the non-GAAP operating income target for the year set forth in the 2014 AOP was exceeded and, as such, our named executive officers were each eligible for a bonus based on his performance.

To calculate the amount of the bonus that each named executive officer would receive, the following formula, applied using straight-line interpolation, was used:

* *For 2014, each NEO had two financial performance measures tied to his CAIP payout.*

** *For 2014, each NEO had three to five individual performance objectives tied to his CAIP payout.*

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The following table shows the weighting, expressed as a percentage, assigned to each of the performance measures underlying each named executive officer's bonus opportunity under the CAIP for 2014 and the maximum and actual payout as a percentage of the target.

Name/Measure	Weight	Maximum CAIP Payout (As Percentage of Target)	Resulting CAIP Performance (As Percentage of Target)			
Robert A. Kotick						
Activision Blizzard Diluted Earnings Per Share	35	% 200	% 113	%		%
Activision Blizzard Adjusted Free Cash Flow	25	150	131			
Focus on Franchises*	30	120	77			
Organizational Development*	10	120	100			
TOTAL	100	% 156	% 105	%		%
Dennis Durkin						
Activision Blizzard Diluted Earnings Per Share	35	% 200	% 113	%		%
Activision Blizzard Adjusted Free Cash Flow	25	150	131			
Focus on Franchises*	10	120	120			
Risk Management and Cost Savings*	20	120	0			
Organizational Development*	10	120	0			
TOTAL	100	% 156	% 84	%		%
Thomas Tippel						
Activision Blizzard Diluted Earnings Per Share	35	% 200	% 113	%		%
Activision Blizzard Adjusted Free Cash Flow	25	150	131			
Focus on Franchises*	30	120	77			
Organizational Development*	10	120	100			
TOTAL	100	% 156	% 105	%		%
Michael Morhaime						
Blizzard Entertainment Adjusted Operating Income	40	% 200	% 159	%		%
Activision Blizzard Adjusted Free Cash Flow	20	150	131			
Focus on Franchises*	30	120	70			
Organizational Development*	10	120	0			
TOTAL	100	% 158	% 111	%		%
Humam Sakhnini						
Activision Blizzard Operating Income	40	% 200	% 104	%		%
Activision Blizzard Adjusted Free Cash Flow	20	150	131			
Focus on Franchises*	30	120	33			
Organizational Development*	10	120	100			
TOTAL	100	% 158	% 88	%		%

We believe that disclosing specific, non-quantitative corporate objectives for the year could affect us adversely by, for example, providing confidential information on business operations and forward-looking strategic plans to our customers and competitors that could result in substantial competitive harm. Therefore, only a brief description and the weighting of each goal for each of our named executive officers for 2014 are shown.

All CAIP payments were based on actual eligible earnings and the achievement of specified Company and individual performance measures and the weighting thereof.

Name	Target Payment (\$ value)	Actual Payment (as % of target)	Actual Payment (\$ value)
Robert A. Kotick	\$4,371,651	105	% \$4,595,173
Dennis Durkin	\$710,063	84	% \$597,248
Thomas Tippl	\$1,875,000	105	% \$1,970,862
Michael Morhaime	\$238,289	111	% \$264,280
Humam Sakhnini	\$491,582	88	% \$431,805

Morhaime Profit Sharing Plan

In addition to the CAIP, discussed above, in accordance with his employment agreement, Mr. Morhaime received a payment for 2014 under the Morhaime Profit Sharing Plan. The Morhaime Profit Sharing Plan is commensurate with the Blizzard Profit Sharing Plan, a program that predates the Vivendi Games Combination and provides employees of Blizzard Entertainment with the opportunity to share in the earnings generated by Blizzard Entertainment. In order to maximize the deductibility of those payments as performance-based compensation under Section 162(m), rather than participating directly in the Blizzard Profit Sharing Plan, Mr. Morhaime's opportunity to receive profit sharing payments is under the 2014 Plan (and is, therefore, known as the "Morhaime Profit Sharing Plan"). The Compensation Committee made the decision to retain a profit sharing component in Mr. Morhaime's compensation following the Vivendi Games Combination due to Mr. Morhaime's position, as well as our strategic focus on profitability, the prevalent market practice of profit sharing programs in the gaming industry, contractual obligations and our desire to incentivize and reward his contribution to Blizzard Entertainment and Activision Blizzard profits. Under the Morhaime Profit Sharing Plan,

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Mr. Morhaime is entitled to up to 6% of the “profit sharing pool” established pursuant to the Blizzard Entertainment Profit Sharing Plan. However, the Compensation Committee may exercise negative discretion with respect to his actual annual percentage interest in the pool, subject to a specified minimum percentage. For 2014, Mr. Morhaime received the minimum payment under the Morhaime Profit Sharing Plan to which he was entitled (*i.e.*, \$3,778,675).

Other Cash Bonus Programs or Awards for 2014

Blizzard Bonus Plan

In addition to the CAIP and the Morhaime Profit Sharing Plan, discussed above, in accordance with his employment agreement, Mr. Morhaime received a payment for 2014 under the Blizzard Bonus Plan. Under the Blizzard Bonus Plan, a Blizzard Entertainment program that, like the Morhaime Profit Sharing Plan, predates the Vivendi Games Combination, Mr. Morhaime is eligible to receive an end-of-year bonus, the target amount of which is 37% of his base salary, the minimum of which is 18.5% of his base salary and the actual amount of which is otherwise based on a subjective determination by the Compensation Committee. For 2014, Mr. Morhaime received the target amount (*i.e.*, \$328,234).

Equity Awards

Philosophy

Our equity incentive program is intended to drive long-term value creation, create alignment with stockholders’ interests and encourage retention of key executives. The program consists of restricted share units, primarily with performance-based vesting criteria, and stock options. In granting equity to executive officers, we generally target delivering a defined value. Specifically, in determining the estimated grant value of upfront equity awards to executive officers, we target values such that, when combined with base salary and target annual incentives, annualized total direct compensation generally targets the 75th percentile when compared to our peer companies or applicable survey data. We may also provide supplemental equity awards to our executive officers during the term of their employment agreement, if there are particular circumstances that warrant doing so.

We utilize a mix of equity awards:

- restricted share unit awards with a focus on awards with performance-based vesting criteria, which, as such, incent our executives to achieve specific performance objectives that align with our multi-year business strategy, and all of

which provide an ownership interest in the Company and serve as a retention vehicle; and

• time-based vesting stock options, which directly align an executive's interests to that of our stockholders, as they provide value only in the event of stock appreciation.

We believe a combination of restricted units (primarily with performance-based vesting criteria) and stock options promotes long-term value creation critical to driving TSR and appropriately balances the various objectives of the equity incentive program.

Use of Employment Agreements and Their Impact on Reported Compensation

As discussed above (see “—Compensation Philosophy and Objectives”), we believe that entering into employment agreements with our executives is important to attracting and retaining top talent. When we make an equity award to an executive officer, it is typically done in connection with the initial entry into an employment agreement, the renewal of that agreement or an amendment to that agreement in connection with a promotion or other assumption of new responsibilities. By providing one-time “upfront” grants, we align interests of our executives with those of our stockholders over the entire term of the executive's employment. Additionally, by granting equity awards with target values that are based upon the length of the term of the agreement, rather than a single year, we ensure executive support of our multi-year business strategy. Our practice of using upfront grants in lieu of annual awards may result in the equity-based compensation, and, as such, the total compensation, reported for each executive to differ significantly from year to year, depending on whether he entered into an employment agreement (or amendment thereof), and therefore received an equity award, in a given year. We view the value of these upfront equity awards on an annualized basis over the life of the employment agreement when evaluating an executive's total compensation.

During 2014, we provided one-time, upfront equity awards to each of Messrs. Sakhnini and Tippl in conjunction with the extension of his term of employment. Please see “—Employment Agreements—Humam Sakhnini” and “—Employment Agreements—Thomas Tippl—Employment Agreement” below.

Annual and Other Equity Awards

We do not generally grant equity awards to our executive officers on an annual basis, although Mr. Morhaime's employment agreement provides for annual equity grants, consistent with the compensation to which he was entitled from Vivendi Games prior to the Vivendi Games Combination. Please see “—Employment Agreements—Michael Morhaime” below. Accordingly, during 2014 we made equity awards to Mr. Morhaime as part of the broader annual grant of equity to our employees.

Use of Performance-Based Equity Awards

The Compensation Committee believes that, in general, equity awards made in connection with a new or amended employment agreement with an executive officer should include an award with performance-based vesting criteria. Consistent with that philosophy, certain restricted share unit awards granted during or prior to 2014 to Messrs. Kotick, Durkin, Tippl and Sakhnini have been made with vesting that is contingent on the achievement of specified profitability-focused performance objectives (as well as, in the case of awards to Mr. Kotick, relative shareholder return). Further, Mr. Sakhnini, the only named executive officer whose employment agreement was entered into, or amended, in 2014, received performance-based vesting restricted share units and stock options and did not receive any time-based vesting restricted share units in connection with the extension of his employment. The Compensation Committee chooses performance objectives that it believes relate to measures of overall Company performance on which our executives have direct impact. For the performance awards to Mr. Kotick, vesting is based on our non-GAAP diluted earnings per share, non-GAAP adjusted free cash flow and relative TSR. For Mr. Durkin, vesting is based on our non-GAAP diluted earnings per share. For Mr. Tippl, vesting is based on our non-GAAP diluted earnings per share, our non-GAAP adjusted free cash flow and Blizzard Entertainment's adjusted non-GAAP operating income. For Mr. Sakhnini, vesting is based on our adjusted non-GAAP operating income. Please see "—Employment Agreements" below for further details about each award.

2014 Vesting and Cancellation of Performance-Based Equity Awards

Based on Company performance during 2014 and, for Mr. Kotick, over a multi-year period including 2014, performance-based equity awards to our named executive officers vested or were cancelled as follows:

Mr. Kotick: 881,131 performance shares vested and 96,362 were cancelled, as follows:

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-376,247 vested and 92,632 were cancelled based on our 2013 and 2014 non-GAAP diluted earnings per share;

-248,743 vested and 3,730 were cancelled based on our 2013 and 2014 non-GAAP adjusted free cash flow;

-2,795 vested based on our relative TSR for the period July 1, 2011 through December 31, 2014;

-19,682 vested based on our relative TSR for the period January 1, 2012 through December 31, 2014; and

-233,664 vested based on our relative TSR for the period January 1, 2013 through December 31, 2014;

•*Mr. Tipl*: 290,396 restricted shares units vested and 50,515 were cancelled, as follows:

-116,424 vested and 38,535 were cancelled based on our 2014 non-GAAP diluted earnings per share;

80,996 restricted share units vested and 11,980 were cancelled based on our 2014 non-GAAP adjusted free cash flow; and

-92,976 restricted share units vested based on Blizzard Entertainment's adjusted 2014 non-GAAP operating income;

•*Mr. Durkin*: 90,000 restricted share units vested based on our 2014 non-GAAP diluted earnings per share; and

•*Mr. Sakhini*: 25,000 restricted share units vested based on our 2014 non-GAAP operating income.

Dividend Equivalents

The performance-based restricted share units awarded to Mr. Sakhini in 2014 have no right to dividend equivalents, nor do the time-vesting restricted share units granted to Mr. Morhaime in 2014—and we do not anticipate granting time- or performance-based awards with the right to dividend equivalents in the future.

The performance-based restricted share units awarded to Messrs. Kotick, Durkin and Sakhini in 2012 and the time-based restricted share units awarded to Mr. Morhaime in 2011, 2012 and 2013 are each entitled to dividend equivalents. However, the performance shares awarded to Mr. Kotick in 2012 and the performance-based restricted share units awarded to Mr. Tipl in 2014 will only receive dividend equivalents if and to the extent the underlying performance conditions are met and the awards vest.

Other Award Terms

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Stock options have an exercise price equal to the NASDAQ Official Closing Price of our Common Stock as reported on Nasdaq.com on the effective date of the grant.

Equity awards will generally cease to vest upon the termination of the holder's employment, and stock options will generally remain exercisable for thirty days after the termination date. For the impact of the termination of the employment of each named executive officer on his outstanding equity awards, please see "—Potential Payments upon Termination or Change of Control" below.

Upon the adoption of the 2014 Plan, we ceased making awards under the 2008 Plan, although it remains in effect and continues to govern outstanding awards granted thereunder.

Incentive Plan Limitations on Equity Awards

Under our incentive plan, we cannot grant anyone, including our executive officers, options to purchase more than four million shares of our Common Stock in a single year. We are further currently restricted from granting anyone restricted share unit awards with respect to more than three million shares in a single year or from granting anyone more than six million performance shares in a single year.

Health and Welfare Benefits

Our named executive officers are eligible to participate in our medical, vision and dental insurance programs. With the exception of Mr. Morhaime, our named executive officers are offered the same terms as the broad employee population. Pursuant to his employment agreement, Mr. Morhaime is entitled to health and welfare benefits that are, in the aggregate, on terms and conditions no less favorable than those made available to him prior to the Vivendi Games Combination. As such, we cover the full cost of Mr. Morhaime's health/medical insurance, and the plan in which he participates pays for the full amount of covered medical expenses. Please see the "Summary Compensation Table" below for further details.

Our named executive officers may also receive Company-paid life and disability insurance and/or participate in insurance programs only available to our senior employees. In addition, pursuant to the provisions of his employment agreement referenced in the prior paragraph, if Mr. Morhaime were to receive short-term disability insurance benefits, we would provide him with the difference between the amount he receives under the insurance and his base salary.

Retirement Arrangements

We offer a 401(k) plan to all employees in the United States, including our named executive officers, and we match a certain percentage of each employee's contributions to our 401(k) plan (which, for Mr. Morhaime is, consistent with the benefits to which he was entitled prior to the Vivendi Games Combination, a higher percentage than our other

named executive officers). Please see the “Summary Compensation Table” below for further details.

We do not maintain other retirement benefit plans for our employees, including our named executive officers, such as a qualified pension plan or a special non-qualified or supplemental deferred compensation plan. We believe that retirement arrangements are particular to, and should remain the responsibility of, each individual officer. The emphasis on minimal retirement arrangements ensures that a substantial portion of our named executive officers’ long-term wealth accumulation depends on the achievement of Activision Blizzard profitability targets and the appreciation of our Common Stock.

Employment and Change-of-Control Arrangements

To attract and retain talented executives, we provide severance benefits under certain conditions, which are negotiated with each executive officer in connection with a new or renewed employment agreement. In addition, Mr. Kotick has been provided certain change-of-control protection. The Compensation Committee believes these arrangements will incentivize the relevant individuals to maintain objectivity in the context of, and contribute to, a potential change-of-control transaction. These benefits for each of our named executive officers are described under “—Potential Payments upon Termination or Change of Control” below.

Perquisites

We provide limited perquisites to our named executive officers, although our named executive officers are eligible to participate in a number of broad-based benefits programs that are available to all of our employees (*e.g.*, they are entitled to relocation assistance). See the “Summary Compensation Table” below for further details.

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Stock Ownership Guidelines

In order to align the interests of our management with those of our stockholders, we believe that each of our executive officers should maintain a meaningful ownership stake in the Company. Accordingly, effective March 1, 2012, the Compensation Committee established stock ownership guidelines for our senior officers. After a competitive assessment conducted with the assistance of its independent consultant, the Compensation Committee adopted guidelines providing that our chief executive officer is expected to beneficially own shares of our Common Stock with a value at least equal to three times his or her then-current annual base salary and that each other executive officer is expected to beneficially own shares of our Common Stock with a value at least equal to his or her then-current annual base salary. Our executive officers are expected to accumulate the required stock within five years (so that anyone who is an executive officer of the Company as of the date on which these guidelines were adopted has five years from the adoption date and anyone who subsequently becomes an executive officer of the Company has five years from the date on which he or she becomes an executive). Further, if an executive officer does not satisfy these guidelines within the five year period, then, until he or she satisfies the guidelines, he or she will be required to hold 50% of the net shares received in connection with a grant of unrestricted shares, upon exercise of stock options or upon the vesting of restricted share units awards received, provided such shares received are under equity awards made after the adoption of the ownership guidelines and that such awards are specifically subject to the ownership guidelines.

Impact of Tax and Accounting Considerations

Section 162(m) of the Internal Revenue Code—Limits on Compensation Deductibility

In structuring compensation programs, setting individual compensation levels and awarding bonuses and incentive plan payments, the Compensation Committee considers the potential impact of Section 162(m). Section 162(m) generally prevents a publicly held corporation from taking a tax deduction when compensation paid to a covered employee (generally, the chief executive officer and any of the corporation's three other highest paid officers other than the chief financial officer) exceeds \$1.0 million in any taxable year unless:

- the compensation is payable solely on account of the attainment of pre-established objective performance goals;
- a committee of two or more outside directors determines the performance goals;
- our stockholders approve the material terms of the performance goals; and
- the committee certifies that the employee has met the performance goals.

The tax deductibility of compensation paid to other executives is not subject to these limitations.

We generally attempt to preserve the deductibility of elements of our performance-based incentives. However, we believe it is important that we retain the flexibility to structure compensation arrangements necessary to attract, retain and motivate the best executive talent, even though such elements may not be fully deductible under Section 162(m).

Payments under the CAIP and the Morhaime Profit Sharing Plan, each described above, are structured to be performance-based incentives within the meaning of both the 2008 Plan and the 2014 Plan and, therefore, deductible up to the \$10 million limit on the payment of such awards to any one person for a single year under the 2008 Plan and the 2014 Plan. For further detail on the CAIP structure, see “—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (*i.e.*, the CAIP) and Other Performance-Based Bonuses—2014 Incentive Opportunities under the CAIP”, and for further detail on the Morhaime Profit Sharing Plan structure, see “—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (*i.e.*, the CAIP) and Other Performance-Based Bonuses—Morhaime Profit Sharing Plan” above.

Section 162(m) prevents us from deducting the incremental amount by which the sum of Mr. Morhaime’s base salary and payment under the Blizzard Bonus Plan for 2014 exceeds \$1.0 million. Section 162(m) also prevents us from deducting the amount by which, if any, the base salary for each other covered employee exceeds \$1.0 million.

As our chief financial officer, the deduction of Mr. Durkin’s compensation is not subject to Section 162(m).

Section 409A of the Internal Revenue Code—Limits on Deferral of Compensation

To the extent that any compensation paid or committed to any of our named executive officers constitutes a deferral of compensation within the meaning of Section 409A of the Internal Revenue Code, the Compensation Committee intends to cause that compensation to comply with the requirements of Section 409A and to avoid the imposition of penalty taxes and interest upon the person receiving the compensation.

Accounting Considerations

The Compensation Committee also takes accounting considerations, including the impact of Accounting Standards Codification (“ASC”) Topic 718, into account in structuring compensation programs and determining the form and amount of compensation awarded.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included under “Executive Compensation—Compensation Discussion and Analysis” above. Based on that review and discussion, the Compensation Committee recommended to our Board that the Compensation Discussion and Analysis be included in this proxy statement and also be incorporated by reference into our Annual Report on Form 10-K for the period ended December 31, 2014.

Members of the Compensation Committee

Robert J. Morgado (Chairperson), Robert J. Corti and Elaine Wynn

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The table below presents compensation information with respect to each of our named executive officers earned during the periods indicated.

As previously discussed, we believe that entering into employment agreements with our executives is important to attracting and retaining top talent. When we make a long-term equity award to an executive officer, it is typically done in connection with the initial entry into an employment agreement, the renewal of that agreement or an amendment to that agreement in connection with a promotion or other assumption of new responsibilities. The target value of any such equity award is based upon the term of the agreement and such grants are typically the only equity grants made to our executive officers (other than Mr. Morhaime, who also receives annual grants of equity, consistent with the compensation to which he was entitled from Vivendi Games prior to the Vivendi Games Combination). Further, we view the value of these upfront equity awards on an annualized basis over the life of the employment agreement when evaluating an executive's total compensation. As the amounts shown in the Stock Awards and Option Awards columns in the table below include the value of any one-time, "upfront" awards made in connection with the entry into, renewal of or amendment of an employment agreement, the equity-based compensation and, as such, the total compensation shown for each executive may differ significantly from year to year, depending on whether he entered into an employment agreement (or amendment thereof), and therefore received an equity award, in a given year. Please see "—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Equity Incentives" above for further information about our equity granting practices.

Name and Principal Position	Year	Salary (\$)	Bonus ⁽¹⁾ (\$)	Stock Awards ⁽²⁾ (\$)	Option Awards ⁽³⁾ (\$)	Non-Equity Incentive Plan Compensation ⁽⁴⁾ (\$)	All Other Compensation (\$)	Total (\$)
Robert A. Kotick President and Chief Executive Officer	2014	2,196,616	—	—	—	4,595,173	87,023	⁽⁵⁾ 6,878,812
	2013	2,108,077	—	—	—	7,849,190	88,169	10,045,436
	2012	2,006,127	2,500,000	55,915,738 ⁽⁶⁾	—	4,454,291	66,150	64,942,306
Dennis Durkin Chief Financial Officer	2014	713,737	—	—	—	597,248	17,855	⁽⁵⁾ 1,328,840
	2013	679,625	627,353	—	—	765,008	30,540	2,102,526
	2012	545,000	1,250,000	9,384,000 ⁽⁷⁾	1,469,396	590,653	236,059	13,475,108
Thomas Tipler Chief Operating Officer	2014	1,254,807	2,000,000	10,400,018 ⁽⁸⁾	—	1,970,862	33,969	⁽⁵⁾ 15,659,656
	2013	1,001,258	627,353	—	—	1,325,400	87,220	3,041,231
	2012	935,237	1,000,000	—	—	1,245,900	20,830	3,201,967
Michael Morhaime	2014	886,603	328,234	1,407,000	1,120,000	4,042,955	71,495	⁽⁵⁾ 7,856,287
	2013	861,076	319,449	1,240,400	1,014,666	2,065,678	61,794	5,563,063

President and Chief Executive Officer, Blizzard Entertainment	2012	828,502	307,162	746,200	803,333	6,326,871	56,366	9,068,434
Humam Sakhnini Chief Strategy and Talent Officer	2014	658,835	—	—	⁽⁹⁾ 1,279,064	431,805	24,355	⁽⁵⁾ 2,394,059
	2013	627,346	518,235	—	—	479,309	16,013	1,640,903
	2012	595,115	100,000	1,759,500	⁽¹⁰⁾ 360,049	429,216	13,747	3,257,627

The amount paid to Mr. Kotick for 2012 represents a signing bonus paid to him as inducement to enter into the Kotick Employment Agreement (as defined herein) (see “—Employment Agreements—Robert A. Kotick” below). The amount paid to Mr. Durkin for 2013 represents a special performance award he received in recognition of his significant contributions to the Company in connection with the consummation of the transactions contemplated by the Vivendi Share Purchase Agreement and its ancillary agreements. The amount paid to Mr. Durkin for 2012 represents a signing bonus paid to him as inducement to enter into the Durkin Employment Agreement (as defined herein) (see “—Employment Agreements—Dennis Durkin” below). The amount paid to Mr. Tippl for 2014 represents two-thirds of a special performance award he received in recognition of his significant contributions to the Company’s financial performance for 2012, which had a time-based vesting provision and was subsequently paid in 2014 pursuant to the December 2013 amendment to Mr. Tippl’s employment agreement with the Company (see “—Employment Agreements—Thomas Tippl” below). The amount paid to Mr. Tippl for 2013 represents a special performance award he received in recognition of his significant contributions to the Company in connection with the consummation of the transactions contemplated by the Vivendi Share Purchase Agreement and its ancillary agreements. The amount paid to Mr. Tippl for 2012 represents one-third of a special performance award he received in recognition of his significant contributions to the Company’s financial performance for the year, the remaining two-thirds of which was paid in January 2014, as previously described. The amounts paid to Mr. Morhaime for 2014, 2013 and 2012 consists of a bonus paid to him pursuant to the Blizzard Bonus Plan (see “—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Other Cash Bonus Programs or Awards for 2014” above). The amount paid to Mr. Sakhnini for 2013 represents a special performance award he received in recognition of his significant contributions to the Company in connection with the consummation of the transactions contemplated by the Vivendi Share Purchase Agreement and its ancillary agreements. The amount paid to Mr. Sakhnini for 2012 represents a special performance award he received for his exemplary performance during the year.

In all circumstances, the amounts in the Stock Awards column represent the aggregate grant date fair value of time-vesting restricted share units granted in the period computed in accordance with ASC Topic 718 by multiplying (a) the number of shares underlying the award, by (b) the closing price of our Common Stock on such grant date, rather than the portion being expensed for financial statement reporting purposes in that year. Beginning with grants in 2014, for awards of performance-based restricted share units, the amounts in the Stock Awards column represent the aggregate grant date fair value computed in accordance with ASC Topic 718, where the accounting grant date is established upon the determination of performance objectives for the relevant performance periods. For an explanation of the valuation of performance shares and performance-based restricted share units granted prior to 2014, see footnotes (6), (7) and (10). The Company believes this shift in methodology is appropriate as it aligns with the way performance-based restricted share units are expensed for accounting purposes.

Assumptions and key variables used in the calculation of the grant date fair values:

for 2014, are discussed in footnote 15 to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on February 26, 2015 (our “2014 10-K”)); for 2013, are discussed in footnote 15 to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on March 3, 2014; and for 2012, are discussed in footnote 18 to our audited financial statements included in our Annual Report on Form 10-K/A filed with the SEC on February 27, 2013.

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(3) *The amounts in the Option Awards column represent the aggregate grant date fair value of stock option awards granted in the period computed in accordance with ASC Topic 718. As such, in a year of grant, the full aggregate grant date fair value appears, rather than the portion being expensed for financial statement reporting purposes in that year.*

Assumptions and key variables used in the calculation of the grant date fair values:

*for 2014, are discussed in footnote 15 to our audited financial statements included in our 2014 10-K;
for 2013, are discussed in footnote 15 to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on March 3, 2014; and
for 2012, are discussed in footnote 18 to our audited financial statements included in our Annual Report on Form 10-K/A filed with the SEC on February 27, 2013.*

The amounts in this column for the named executive officers for each year represent cash incentives paid under the CAIP and, for Mr. Morhaime, amounts paid to him pursuant to the Morhaime Profit Sharing Plan. The amount paid to Mr. Kotick for 2013 also represents an additional performance-based bonus of \$3,250,000 paid to him (4) under the 2008 Plan in recognition of the Company's strong performance during 2013 and Mr. Kotick's significant contributions to the Company during the year. For a discussion of non-equity incentive plans, see "—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (i.e., the CAIP) and Other Performance-Based Bonuses" above.

(5) *The "all other compensation" for 2014 consists of the following:*

Name	Perquisites, gifts and awards	Taxable income reimbursement	Company 401(k) plan "matching" contributions	Life, disability or medical insurance premiums	Total "Other Compensation"
Robert A. Kotick	\$ —	\$ —	\$ 4,600	\$ 82,423	\$ 87,023
Dennis Durkin	\$ —	\$ —	\$ 3,500	\$ 14,355	\$ 17,855
Thomas Tippl	\$ —	\$ —	\$ 3,500	\$ 30,469	\$ 33,969
Michael Morhaime	\$ —	\$ 1,093	(a) \$ 9,360	\$ 61,042	\$ 71,495
Humam Sakhnini	\$ 2,750	(b) \$ 2,595	(c) \$ 3,500	\$ 15,510	\$ 24,355

This amount represents a reimbursement for taxes Mr. Morhaime incurred on merchandise he received from (a) Blizzard Entertainment. The value of the merchandise is not included as it was provided as part of a broad-based program for employees of Blizzard Entertainment.

(b) This amount represents tickets for a sporting event provided by the Company as a reward for Mr. Sakhnini's performance.

(c) This amount represents a reimbursement for taxes Mr. Sakhnini incurred on the compensation referenced in footnote (b).

(6) *This amount reflects the value of the following two one-time "upfront" awards made to Mr. Kotick in 2012 in connection with the entry into the Kotick Employment Agreement, which were intended to incentivize and recognize performance throughout the term of his multi-year agreement—time-vesting restricted share units with a reported grant date fair value of \$25,680,135 and performance shares with a reported grant date fair value of \$30,235,603. The value of the award of time-vesting restricted share units was computed in accordance with ASC Topic 718. The value of the award of performance shares was based on the closing market price of our Common*

Stock on the date of grant (i.e., March 15, 2012) and our assessment on that date of the probable outcome of the performance conditions. More specifically: (1) the grant date fair value of the portion of the performance shares subject to market-based conditions was computed in accordance with ASC Topic 718 using a “Monte Carlo” valuation methodology, which incorporates into the valuation the possibility of the achievement of the market condition; (2) the grant date fair value of the portion of the performance shares subject to non-market conditions for which the metrics were established at the time of grant (i.e., for the 2011-2012, 2012-2013 and 2013-2014 performance periods) was computed in accordance with ASC Topic 718; and (3) the grant date fair value of the portion of the performance shares subject to non-market conditions for which the metrics were not established at the time of grant (i.e., for the 2014-2015 performance period) was calculated by multiplying (a) the number of shares underlying that portion of the award, assuming a target level of performance under the performance conditions to be established for that performance period, by (b) the closing price of our Common Stock on the grant date of the performance shares. Based upon this same methodology and assuming achievement of the maximum outcome of the performance conditions (as opposed to target level), the grant date fair value for the performance shares would have been \$46,250,004. On March 5, 2014, the Compensation Committee established the metrics for the 2014-2015 performance period and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC Topic 718 (which amount was greater than the amount reported in 2012 by \$2,733,920, assuming target performance, and by \$5,467,840, assuming maximum performance, due to share price appreciation between March 15, 2012 and March 5, 2014).

- This amount reflects the value of the following two one-time “upfront” awards made to Mr. Durkin in 2012 in connection with the entry into the Durkin Employment Agreement—time-vesting restricted share units with a reported grant date fair value of \$4,105,500 and performance-based restricted share units with a reported grant date fair value of \$5,278,500. The value of the award of time-vesting restricted share units was computed in accordance with ASC Topic 718. The value of the award of performance-based restricted share units was based on the closing market price of our Common Stock on the date of grant (i.e., March 6, 2012) and our assessment on that date of the probable outcome of the performance conditions. More specifically: (1) the grant date fair value of the portion of the performance-based restricted share units for which the metrics were established at the time of grant (i.e., for the 2012 performance period) was computed in accordance with ASC Topic 718; and (2) the grant date fair value of the portion of the performance-based restricted share units for which the metrics were not established at the time of grant (i.e., for the 2013, 2014, 2015 and 2016 performance periods) was calculated by multiplying (a) the number of shares underlying that portion of the award, assuming the performance objective is met or exceeded under the performance conditions to be established for that performance period, by (b) the closing price of our Common Stock on the grant date of the performance-based restricted share units. On January 31, 2013, the metric for the 2013 performance period was established and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC Topic 718 (which amount was less than the amount reported in 2012 by \$29,700, due to share price depreciation between March 6, 2012 and January 31, 2013). On January 29, 2014, the metric for the 2014 performance period was established and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC Topic 718 (which amount was greater than the amount reported in 2012 by \$466,200, due to share price appreciation between March 6, 2012 and January 29, 2014). On March 4, 2015, the metric for the 2015 performance period was established and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC Topic 718 (which amount was greater than the amount reported in 2012 by \$1,008,000, due to share price appreciation between March 6, 2012 and March 4, 2015).
- (7) This amount reflects the value of the following two one-time “upfront” awards made to Mr. Durkin in 2012 in connection with the entry into the Durkin Employment Agreement—time-vesting restricted share units with a reported grant date fair value of \$4,105,500 and performance-based restricted share units with a reported grant date fair value of \$5,278,500. The value of the award of time-vesting restricted share units was computed in accordance with ASC Topic 718. The value of the award of performance-based restricted share units was based on the closing market price of our Common Stock on the date of grant (i.e., March 6, 2012) and our assessment on that date of the probable outcome of the performance conditions. More specifically: (1) the grant date fair value of the portion of the performance-based restricted share units for which the metrics were established at the time of grant (i.e., for the 2012 performance period) was computed in accordance with ASC Topic 718; and (2) the grant date fair value of the portion of the performance-based restricted share units for which the metrics were not established at the time of grant (i.e., for the 2013, 2014, 2015 and 2016 performance periods) was calculated by multiplying (a) the number of shares underlying that portion of the award, assuming the performance objective is met or exceeded under the performance conditions to be established for that performance period, by (b) the closing price of our Common Stock on the grant date of the performance-based restricted share units. On January 31, 2013, the metric for the 2013 performance period was established and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC Topic 718 (which amount was less than the amount reported in 2012 by \$29,700, due to share price depreciation between March 6, 2012 and January 31, 2013). On January 29, 2014, the metric for the 2014 performance period was established and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC Topic 718 (which amount was greater than the amount reported in 2012 by \$466,200, due to share price appreciation between March 6, 2012 and January 29, 2014). On March 4, 2015, the metric for the 2015 performance period was established and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC Topic 718 (which amount was greater than the amount reported in 2012 by \$1,008,000, due to share price appreciation between March 6, 2012 and March 4, 2015).
- (8) This amount reflects the value of the following two one-time “upfront” awards made to Mr. Tippl in 2014 in connection with the extension of his term of employment pursuant to the Tippl Employment Agreement (as defined herein) (see “— Employment Agreements—Thomas Tippl—Employment Agreement” below) — time-vesting restricted share units with a reported grant date fair value of \$5,999,993 and performance-based restricted share units tied to the 2014 performance period with a reported grant date fair value of \$4,400,025 assuming a target level of performance under the performance conditions established for the 2014 performance period. This grant date fair value of time-vesting restricted share units granted in 2014 was computed in accordance with ASC Topic 718. Based upon this same methodology and assuming achievement of the maximum outcome of the performance conditions (as opposed to target level), the reported grant date fair value for performance-based restricted share

units tied to the 2014 performance period would have been \$6,600,037. In the future, additional amounts will be reported for each of 2015 and 2016, when the performance conditions are established for the performance-based restricted share units tied to the 2015 and 2016 performance periods. On March 4, 2015, the metrics for the 2015 performance period were established and a grant date fair value for that portion of the award (which will be reported in next year's Summary Compensation Table) was established for financial reporting purposes in accordance with ASC Topic 718 in the amount of \$5,211,362 (assuming target level of performance under the performance conditions and the closing market price of our common stock on the date the performance metrics were established (i.e., March 4, 2015). Based upon this same methodology and assuming achievement of the maximum outcome of the performance conditions (as opposed to target level), the reported grant date fair value for the 2015 performance period would have been \$7,817,043.

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(9) *In 2014, in connection with the extension of his term of employment pursuant to the Sakhnini Employment Agreement (as defined herein) (see “—Employment Agreements—Humam Sakhnini” below), the Company made a one-time “upfront” award to Mr. Sakhnini. This amount reflects the grant date fair value of performance-based restricted share units granted in 2014, as computed in accordance with ASC Topic 718. For 2014, there is no value associated with the performance-based restricted share units as the performance condition was not yet established for the initial 2015 performance period. In the future, additional amounts will be reported for each of 2015, 2016 and 2017, assuming a target level of performance under the performance conditions established for the 2015, 2016 and 2017 performance periods, as applicable, and based upon the closing market price of our Common Stock upon the establishment of performance metrics. On March 4, 2015, the metric for the performance-based restricted share units tied to the 2015 performance period was established and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC Topic 718 in the amount of \$741,533 (assuming target level of performance under the performance condition and based on the closing market price of our common stock on the date the performance metric was established (i.e., March 4, 2015)). Based upon this same methodology and assuming achievement of the maximum outcome of the performance conditions (as opposed to target level), the reported grant date fair value for the 2015 performance period would have been \$926,916.*

(10) *This amount reflects the value of the following two one-time “upfront” awards made to Mr. Sakhnini in 2012 in connection with the entry into the Sakhnini Employment Agreement—time-vesting restricted share units with a reported grant date fair value of \$879,750 and performance-based restricted share units with a reported grant date fair value of \$879,750. The value of the award of time-vesting restricted share units was computed in accordance with ASC Topic 718. The value of the award of performance-based restricted share units was based on the closing market price of our Common Stock on the date of grant (i.e., March 6, 2012) and our assessment on that date of the probable outcome of the performance conditions. More specifically: (1) the grant date fair value of the portion of the performance-based restricted share units for which the metrics were established at the time of grant (i.e., for the 2012 performance period) was computed in accordance with ASC Topic 718; and (2) the grant date fair value of the portion of the performance-based restricted share units for which the metrics were not established at the time of grant (i.e., for the 2013 and 2014 performance periods) was calculated by multiplying (a) the number of shares underlying that portion of the award, assuming the performance objective is met or exceeded under the performance conditions to be established for that performance period, by (b) the closing price of our Common Stock on the grant date of the performance-based restricted share units. On January 31, 2013, the metric for the 2013 performance period was established and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC Topic 718 (which amount was less than the amount reported in 2012 by \$8,250, due to share price depreciation between March 6, 2012 and January 31, 2013). On January 29, 2014, the metric for the 2014 performance period was established and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC Topic 718 (which amount was greater than the amount reported in 2012 by \$129,500, due to share price appreciation between March 6, 2012 and January 29, 2014).*

[Back to Contents](#)**Grants of Plan-Based Awards for 2014**

The table below provides information regarding the grants of plan-based awards made to each of our named executive officers during 2014:

Name	Grant Type	Grant Date	Approval Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards		
				Threshold (\$)	Target (\$)	Maximum (\$)
Robert A. Kotick	2008 Plan/CAIP ⁽²⁾			0	4,376,400	10,000,000
Dennis Durkin	2008 Plan/CAIP ⁽²⁾			0	682,500	10,000,000
Thomas Tipl	2008 Plan/CAIP ⁽²⁾			0	1,875,000	10,000,000
	2008 Plan/Equity ⁽³⁾	2/10/2014	1/15/2014 ⁽⁴⁾			
	2008 Plan/Equity	2/10/2014	1/15/2014 ⁽⁴⁾			
Michael Morhaime	2008 Plan/CAIP ⁽²⁾			0	233,111	6,221,325 ⁽⁷⁾
	2014 Plan/MPSP ⁽⁸⁾			0	1,850,120	—
	2014 Plan/Equity	11/14/2014	10/30/2014 ⁽⁴⁾			
	2014 Plan/Equity	11/14/2014	10/30/2014 ⁽⁴⁾			
Humam Sakhnini	2008 Plan/CAIP ⁽²⁾			0	472,500	10,000,000
	2014 Plan/Equity ⁽³⁾	11/14/2014	10/30/2014 ⁽⁴⁾			

The grant date fair value of the stock and stock option awards is computed in accordance with ASC Topic 718.

⁽¹⁾ *Please see footnotes (2) and (3) to the Summary Compensation Table for information about the assumptions and key variables used in the calculation of the grant date fair values. All stock options granted have an exercise price equal to the fair market value of a share of our Common Stock on the date of grant.*

Each of our named executive officers had an opportunity to earn a CAIP bonus for his 2014 performance under the 2008 Plan. None were entitled to a minimum amount thereunder. The target bonus for each named executive officer was based on his base salary rate in effect at the time the opportunity was approved by our Compensation

⁽²⁾ *Committee and assumes 100% performance for the relevant financial and individual strategic goals established under the CAIP. For more information about the CAIP and the opportunities for each of our named executive officers thereunder, including the maximum bonus opportunity for each, please see “—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (i.e., the CAIP) and Other Performance-Based Bonuses—2014 Incentive Opportunities under the CAIP” above.*

⁽³⁾ *As more fully described in footnotes (2), (8) and (9) to the Summary Compensation Table, the performance-vesting restricted share units granted to Messrs. Tipl and Sakhnini in 2014 for which the performance metrics were not established at the time of grant are not included, but will be included in the “Grants of Plan-Based Awards” table in future years to coincide with the accounting grant date when the performance metrics are established.*

⁽⁴⁾ *These equity awards were approved during a “trading blackout” as described in our insider trading and pre-clearance policies, so, in accordance with our equity granting procedures, the effective date of the awards was delayed until after the first trading day after that trading blackout period was no longer in effect. Further, awards with performance-based vesting criteria are not granted, for these purposes, until the underlying metrics have been established.*

⁽⁵⁾ *This represents performance-based restricted share units, each representing the conditional right to receive one share of our Common Stock, that were granted to Mr. Tipl in connection with the extension of his employment with us through April 2016 (or, if we so elect, through April 2017). These restricted share units vest on March 31,*

2015, subject to Mr. Tippl's continued employment through such date, as follows: (a) approximately 45% (i.e., a maximum of 154,959) vest if the Compensation Committee determines that the non-GAAP diluted earnings per share objective set forth in our AOP for 2014 has been met or exceeded; (b) approximately 27% (i.e., a maximum of 92,976) vest if the Compensation Committee determines that the non-GAAP adjusted free cash flow objective set forth in our AOP for 2014 has been met or exceeded; and (c) approximately 27% (i.e., a maximum of 92,976) vest if the Compensation Committee determines that the adjusted non-GAAP operating income objective for Blizzard Entertainment set forth in our AOP for 2014 has been met or exceeded. In each case: (i) if actual performance is below 75% of target, no shares subject to the performance criteria will be earned; (ii) if actual performance is 100% of target, 100% of the target shares subject to the operating performance criteria will be earned; (iii) if actual performance is 150% of target or above, all of the shares (i.e., 150% of the target shares) subject to the operating performance criteria will be earned; and (iv) if actual performance falls between two thresholds, the number of shares subject to the operating performance criteria that will be earned will be determined using straight-line interpolation. If dividends are declared on our Common Stock, if and when the restricted share units vest, Mr. Tippl will receive a cash dividend equivalent payment in an amount equal to the dividend to which he would have been entitled had the restricted share units been issued and outstanding Common Stock as of the record date for such dividend. In accordance with ASC Topic 718, only the portion of the award for which the performance metrics were established during 2014 is reflected in this table. For more information on the remainder of this performance-vesting award, for which metrics will be established in connection with the approval of the relevant year's AOP, see "*—Employment Agreements—Thomas Tippl—Employment Agreement*" below. This represents restricted share units, each representing the conditional right to receive one share of our Common Stock, that were granted to Mr. Tippl in connection with the extension of his employment with us through April 2016 (or, if we so elect, through April 2017). One-third of these restricted share units will vest on each of March (6)31, 2015, 2016 and 2017, subject to Mr. Tippl's continued employment through such date. If dividends are declared on our Common Stock, Mr. Tippl will receive a cash dividend equivalent payment in an amount equal to the dividend to which he would have been entitled had the restricted share units been issued and outstanding Common Stock on the record date for such dividend.

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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 Option Awards (\$/Sh)	Grant D Value o Option (\$)
Threshold (#)	Target (#)	Maximum (#)				
0	227,274 ⁽⁵⁾	340,911 ⁽⁵⁾	309,917	(6)		4,400,0
			70,000	(9)		5,999,9
					200,000	(10) 20.10
					215,210	(11) 20.10

(7) As discussed in footnote (8) below, Mr. Morhaim e participates in the Morhaim e Profit Sharing Plan. As the amount paid to Mr. Morhaim e under the Morhaim e Profit Sharing Plan is a “senior executive plan bonus” within the meaning of both the 2008 Plan and the 2014 Plan, the sum of the amount of bonuses, if any, paid to him for any given year under the Morhaim e Profit Sharing Plan and the CAIP may not exceed the limit under both the 2008 Plan and the 2014 Plan of \$10 million. As such, the maximum bonus Mr. Morhaim e was eligible to earn under the CAIP 2014 was adjusted to reflect the payment he received under the Morhaim e Profit Sharing Plan for the year.

(8) Pursuant to the Morhaim e Employment Agreement (as defined herein) (see “—Employment Agreements—Michael Morhaim e” below), Mr. Morhaim e participates in the Morhaim e Profit Sharing Plan (see “—Employment Agreements—Michael Morhaim e” below). In accordance therewith, Mr. Morhaim e is entitled to share in an annual profit sharing pool, the aggregate amount of which depends upon Blizzard Entertainment’s earnings for that year. While Mr. Morhaim e is entitled to an amount equal to up to 6% of the pool, because the amount of the pool cannot be known at the beginning of a year, no target amount is determinable and the target amount shown is a representative amount equal to the amount Mr. Morhaim e received under the Morhaim e Profit Sharing Plan with respect to 2013. Further, while Mr. Morhaim e is entitled to receive an amount equal to a minimum specified percentage of that pool, because there is no certainty there will be a pool, there is no minimum or maximum amount to which he is entitled. For more information about the Morhaim e Profit Sharing Plan, see “—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (i.e., the CAIP) and Other Performance-Based Bonuses—Morhaim e Profit Sharing Plan” above.

(9) This represents restricted share units, each representing the conditional right to receive one share of our Common Stock, that were granted to Mr. Morhaim e pursuant to the Morhaim e Employment Agreement as part of our annual equity award process. One-third of these restricted share units will vest on each of November 13, 2015, 2016 and 2017, subject to Mr. Morhaim e’s continued employment through such date.

(10) These options to purchase our Common Stock were granted to Mr. Morhaim e pursuant to the Morhaim e Employment Agreement as part of our annual equity award process. One-third of these stock options will vest each of November 13, 2015, 2016 and 2017, subject to Mr. Morhaim e’s continued employment through such date.

(11) These options to purchase our Common Stock were granted to Mr. Sakhnini pursuant to the Sakhnini Employment Agreement in connection with the extension of his employment with us through March 2017 (or, if we so elect, through March 2018). Two-third of these options vest on March 30, 2017 and the remaining one-third vest on March 30, 2018, subject to Mr. Sakhnini’s continued employment through such date.

[Back to Contents](#)**Outstanding Equity Awards at December 31, 2014**

The table below sets forth the outstanding equity awards for each of our named executive officers as of December 31, 2014:

Name	Option Awards			Option Expiration Date	Stock Awards		Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ⁽²⁾ (\$)
	Number of Securities Underlying Unexercised Options Exercisable ⁽¹⁾ (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$)		Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ⁽²⁾ (\$)		
Robert A. Kotick	262,998	—	9.57	6/15/2017			1,030,500 ⁽³⁾	20,764,575
	3,700,000	—	13.29	12/1/2017			652,650 ⁽⁵⁾	13,150,898
Dennis Durkin					262,500 ⁽⁷⁾	5,289,375	270,000 ⁽⁶⁾	5,440,500
Thomas Tippel ⁽⁹⁾	37,500	225,000 ⁽⁸⁾	11.73	3/6/2022				
	44,427	—	10.89	5/10/2020				
Michael Morhaime					309,917 ⁽¹²⁾	6,244,828		681,817 ⁽¹⁰⁾
					133,332 ⁽¹³⁾	2,686,640		
					23,333 ⁽¹⁴⁾	470,160		
					46,666 ⁽¹⁵⁾	940,320		
					70,000 ⁽¹⁶⁾	1,410,500		
	600,000	—	15.04	7/9/2018				
	100,000	100,000 ⁽¹⁷⁾	11.88	11/8/2020				
	66,666	—	12.98	11/10/2021				
	66,667	66,666 ⁽¹⁸⁾	10.66	11/9/2022				
	66,667	133,333 ⁽¹⁹⁾	17.72	11/15/2023				

	—	200,000	(20) 20.10	11/14/2024		
Humam Sakhnini					25,000	(21) 503,750
					97,015	(22) 1,954,852
					25,000	(24) 503,750
	—	25,000	(25) 11.73	03/06/2022		
	—	215,210	(26) 20.10	11/14/2024		

(1) All exercisable stock options are currently vested.

(2) Calculated using the NASDAQ Official Closing Price of \$20.15 per share of our Common Stock on December 31, 2014, the last trading day in 2014.

(3) The number of performance shares reflected in the table is the target amount for the two remaining performance periods; the maximum number of performance shares subject to the award at December 31, 2014 was 2,407,472 and include 346,466 performance shares from the first and second performance periods that are eligible to vest at the end of future performance periods. These performance shares vest in accordance with the Kotick Employment Agreement. Please see “—Employment Agreements—Robert A. Kotick” below. On March 31, 2015, 881,131 of the performance shares vested based on performance assessed through December 31, 2014.

(4) This value is based on the target amount for the two remaining performance periods: if the highest level of performance is assumed, the market value of the unvested performance shares, calculated in the manner described in footnote (2), would be \$48,510,561.

(5) One-sixtieth of the award vests on the first day of each month, with the exception of the final tranche, which will vest on June 30, 2016. In accordance with that vesting schedule, 34,350 of these restricted share units vested on each of January 1, February 1, March 1 and April 1, 2015.

(6) One-third of these restricted share units vest on each of March 14, 2015, 2016 and 2017, in each case only if the Compensation Committee determines that the non-GAAP diluted earnings per share objective for the Company set forth in our AOP for the prior year has been met or exceeded. The performance metric related to 2014 was satisfied and, on March 14, 2015, 90,000 of these restricted share units vested.

(7) One-third of these restricted share units vested on March 14, 2015 and one-third will vest on each of March 14, 2016 and 2017.

(8) One-third of these stock options vested on March 14, 2015 and one-third will vest on each of March 14, 2016 and 2017.

(9) As a result of Mr. Tippl’s transfer by gift, all of his outstanding equity awards are held in the name of the Thomas and Laura Tippl Family Trust. Mr. Tippl and his wife, Laura Tippl, are co-trustees of the trust and share voting and investment power with respect to those securities.

(10) The number of performance-based restricted share units reflected in the table is the target amount for all of the performance periods; the maximum number of restricted share units subject to the award at December 31, 2014 was 1,022,728. These restricted share units vest in accordance with Mr. Tippl’s employment agreement with us (the “Tippl Employment Agreement”). Please see “—Employment Agreements—Thomas Tippl—Employment Agreement” below. On March 31, 2015, 290,396 of the restricted share units vested.

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This value is based on the target amount for all of the performance periods; if the highest level of performance is assumed, the market value of the unvested restricted share units, calculated in the manner described in footnote (2), would be \$20,607,969.

(11) One-third of these restricted share units vested on March 31, 2015 and one-third will vest on each of March 31, 2016 and 2017.

(12) One-half of these restricted share units vest on each of December 31, 2015 and 2016.

(13) These restricted share units vest on November 8, 2015.

(14) One-half of these restricted share units vest on each of November 14, 2015 and 2016.

(15) One-third of these restricted share units vest on each of November 13, 2015, 2016 and 2017.

(16) One-half of these stock options vest on each of December 31, 2015 and 2016.

(17) These stock options vest on November 8, 2015.

(18) One-half of these stock options vest on each of November 14, 2015 and 2016.

(19) One-third of these stock options vest on each of November 13, 2015, 2016 and 2017.

These restricted share units vest on March 30, 2015, only if the Compensation Committee determines that the operating income objective for the Company set forth in our AOP for 2014 has been met or exceeded. The performance metric was satisfied and, on March 30, 2015, these restricted share units vested.

The number of performance-based restricted share units reflected in the table is the target amount for all of the performance periods; the maximum number of restricted share units subject to the award at December 31, 2014 was 121,269. These restricted share units vest in accordance with the Sakhnini Employment Agreement. Please see “—Employment Agreements—Humam Sakhnini” below.

This value is based on the target amount for all of the performance periods; if the highest level of performance is assumed, the market value of the unvested restricted share units, calculated in the manner described in footnote (2), would be \$2,443,570.

(20) These restricted share units vested on March 30, 2015.

(21) These stock options vested on March 30, 2015.

(22) Two-third of these stock options vest on March 30, 2017 and the remaining one-third vest on March 30, 2018.

For the impact of the termination of the employment of each named executive officer on his equity awards, please see “—Potential Payments upon Termination or Change of Control” below.

[Back to Contents](#)**Option Exercises and Stock Vested for 2014**

The table below sets forth details with respect to the stock options exercised by, and the restricted shares and restricted share units that vested for, or were otherwise transferred for value by, our named executive officers in 2014:

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⁾
Robert A. Kotick	14,181	(3) 181,557	1,232,141	25,205,229
Dennis Durkin	37,500	401,711	177,500	3,727,500
Thomas Tipl ⁽⁴⁾	1,680,573	13,565,178	173,750	3,440,250
Michael Morhaime	—	—	(5) 136,667	2,776,006
Humam Sakhnini	339,000	3,568,160	50,000	1,022,500

As each of these transactions involved a same-day sale, the “Value Realized on Exercise” is computed by multiplying (1) the number of shares exercised by the difference between sale price of the shares and the exercise price of the underlying stock options.

The “Value Realized on Vesting” is computed by multiplying the number of shares of stock or units by the NASDAQ (2) Official Closing Price of our Common Stock on the vesting date (or if that date is not a trading date, the immediately preceding trading date).

These options were held at the time of exercises by the 451211 Trust, a trust for the benefit of Mr. Kotick’s minor (3) children, over which Mr. Kotick does not exercise voting or investment power and as to which he disclaims beneficial ownership.

(4) These awards were held by the Thomas and Laura Tipl Family Trust at the time of exercise or vesting, as the case may be.

Mr. Morhaime received \$163,537 upon the exercise of 35,446 cash-settled options granted to him by Vivendi which we paid, in accordance with our investor agreement with Vivendi entered into in connection with the Vivendi (5) Games Combination. For more information about our obligation, see “Certain Relationships and Related Transactions—Relationships and Transactions with Vivendi and its Affiliates—Amended and Restated Investor Agreement” below.

Employment Agreements

As previously discussed, we believe that entering into employment agreements with our executives is important to attracting and retaining the executive talent necessary to lead us. The following is a summary of the material terms regarding compensation set forth in the employment agreement we have entered into with each of our named executive officers. Certain provisions regarding payments and benefits upon termination or a change of control, which are described under “—Potential Payments upon Termination or Change of Control” below, are not included in the following summary.

Robert A. Kotick

Robert A. Kotick is party to an employment agreement with us, dated as of March 15, 2012 (the “Kotick Employment Agreement”), pursuant to which he serves as our President and Chief Executive Officer. Mr. Kotick’s term of employment under the Kotick Employment Agreement began on March 15, 2012, and continues through June 30, 2016.

Pursuant to the Kotick Employment Agreement, Mr. Kotick’s annual base salary was \$2,000,000 as of July 1, 2011. Beginning in 2013, Mr. Kotick’s annual base salary was and will be increased as of January 1st of each year during the term in an amount at least equal to the average percentage increase approved by the Compensation Committee for members of the executive leadership team with respect to that year (excluding any increase guaranteed to any such person by contract or due to such person’s promotion or other significant modification in duties). For more information about Mr. Kotick’s base salary, see “—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Salary” above.

Mr. Kotick is also entitled to receive an annual bonus under the CAIP, with a target amount of 200% of his base salary. The actual amount of any bonus Mr. Kotick may receive under the CAIP is determined by the Compensation Committee based on his achievement of mutually agreed objectives, his overall performance and the Company’s financial performance. The form of any such bonus is determined by the Compensation Committee at its sole discretion. For more information about performance-based bonuses, see “—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (*i.e.*, the CAIP) and Other Performance-Based Bonuses” above. In addition, Mr. Kotick received a one-time cash signing bonus payment of \$2,500,000 in connection with his entry into the Kotick Employment Agreement. Further, pursuant to the Kotick Employment Agreement, the Compensation Committee, at its sole discretion, may award Mr. Kotick a performance bonus at any time in an amount and form determined by the Compensation Committee. Mr. Kotick is also entitled to participate in all benefit plans generally available to our senior executive officers and we are required to maintain a supplemental term life insurance policy in the amount of \$18 million for the benefit of his estate until March 14, 2022.

As an inducement to enter into the Kotick Employment Agreement, in 2012 Mr. Kotick received a grant of 2,061,006 restricted share units, the number of which was based on a value on the date of grant (*i.e.*, March 15, 2012) approximately equal to \$25,000,000. As the Company’s “gross profit” for 2012 (as determined in accordance with

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the Kotick Employment Agreement) was greater than or equal to \$500,000,000, on March 15, 2013, the restricted share units vested with respect to one-third of the award (representing the twenty month-long vesting tranches between August 1, 2011 and March 1, 2013) and thereafter one-sixtieth of the award vested and will vest, as the case may be, on the first day of each month, with the exception of the final tranche, which will vest on the expiration date of the Kotick Employment Agreement.

As further inducement to enter into the Kotick Employment Agreement, in 2012 Mr. Kotick received a grant of 4,122,012 performance shares, each representing the right to receive one share of our Common Stock, the number of which assumes maximum performance and was based on a value on the date of grant (*i.e.*, March 15, 2012) approximately equal to \$50,000,000; target performance would result in a release of 2,061,006 shares. The overall value of those equity awards is intended to incentivize and recognize performance throughout the term of the contract, and, as such, a significant portion is contingent on financial performance over a five-year period assessed by four overlapping two-year performance periods. Specifically, seventy percent of the performance shares are subject to vesting conditions based upon our operating performance in overlapping two-year periods (*i.e.*, 2011-2012, 2012-2013, 2013-2014 and 2014-2015). With respect to 65% of those shares, our operating performance is measured by reference to the Company's non-GAAP diluted earnings per share over the relevant two-year period and, with respect to 35% of those shares, our operating performance is measured by reference to the Company's non-GAAP adjusted free cash flow over the relevant two-year period. In each case: (1) if actual performance is below 75% of target, no shares subject to the operating performance criteria will be earned; (2) if actual performance is 75% of target, 75% of the target shares subject to the relevant operating performance criteria will be earned; (3) if actual performance is 100% of target, 100% of the target shares subject to the operating performance criteria will be earned; (4) if actual performance is 125% of target or above, all of the shares (*i.e.*, 200% of the target shares) subject to the operating performance criteria will be earned; and (5) if actual performance falls between two thresholds, the number of shares subject to the operating performance criteria that will be earned will be determined using straight-line interpolation. The remaining 30% of the performance shares also vest in overlapping two-year periods, other than the performance period for 2011-2012, which was measured from July 1, 2011 through December 31, 2012, based on our compound annual TSR between the average closing price of our Common Stock during the 30 days immediately preceding the commencement of the applicable performance period and the average closing price of our Common Stock during the 30 days immediately preceding the end of the applicable performance period, as compared to the TSR of the NASDAQ Composite measured over the same 30-day periods in such performance period and calculated in an analogous manner. For each performance period, if our TSR is 20 percentage points or more below the TSR of the NASDAQ Composite, no shares subject to the TSR performance criteria will be earned; if our TSR is 10 percentage points below the TSR of the NASDAQ Composite, 50% of the target shares subject to the TSR performance criteria will be earned; if our TSR equals the TSR of the NASDAQ Composite, all of the target shares subject to the TSR performance criteria will be earned; if our TSR is 10 percentage points more than the TSR of the NASDAQ Composite, 150% of the target shares subject to the TSR performance criteria will be earned; and if our TSR is 20 percentage points more than the TSR of the NASDAQ Composite, all (*i.e.*, 200% of the target) of the performance shares subject to the TSR performance criteria will be earned. If actual performance falls between two thresholds, the number of shares subject to the TSR performance criteria that will be earned will be determined using straight-line interpolation. In addition, to the extent that not all of the shares are earned, those missed shares may vest at the end of subsequent performance periods based on relative achievement of TSR measures, where the beginning average price of our Common Stock is measured by reference to the 30-day period beginning 30 days prior to the commencement of the performance period with respect to which such shares were missed. Further, the vesting of the performance shares for the performance period for 2011-2012 was also contingent upon the Company's "gross profit" for 2012 (as determined in accordance with the Kotick Employment Agreement) being greater than or equal to \$500,000,000.

Pursuant to the Kotick Employment Agreement, if there is a change of control during the term of his employment under the Kotick Employment Agreement, Mr. Kotick will be entitled to a cash bonus payable within 10 days of such change of control in an amount of at least \$30,000,000, which may be increased up to \$45,000,000 at the good faith discretion of the Compensation Committee. Mr. Kotick will also receive that bonus if he is terminated without cause (as defined in the Kotick Employment Agreement) and a change of control is consummated within the six months after his termination (in which case the bonus will be paid on the date which is six months after his termination date). Please see “—Potential Payments Upon Termination or Change of Control” below for the definition of change of control used in the Kotick Employment Agreement. Although the transactions contemplated by the Vivendi Share Purchase Agreement could have been deemed to constitute a change of control as defined in his employment agreement, Mr. Kotick voluntarily waived any rights he had to payments, benefits and vesting upon a change of control under his agreement in connection therewith. Please see “Certain Relationships and Related Transactions—Relationships and Transactions—Relationships with Our Directors and Executive Officers—Waiver and Acknowledgement Letters” below for further information on the waiver.

Pursuant to the Kotick Employment Agreement, until the second anniversary of the expiration of the term of his employment under the agreement, Mr. Kotick is restricted from soliciting the employment of anyone then-employed by us or our affiliates (or anyone who was employed by us or them during the then-most recent six-month period). In addition, Mr. Kotick is prohibited from competing with us during the term of his employment under the Kotick Employment Agreement.

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Dennis Durkin

Dennis Durkin is party to an employment agreement with us, dated as of February 29, 2012 (the “Durkin Employment Agreement”), pursuant to which he serves as our Chief Financial Officer. Mr. Durkin’s term of employment under the Durkin Employment Agreement began on March 1, 2012 and continues through March 15, 2017.

Pursuant to the Durkin Employment Agreement, Mr. Durkin’s annual base salary was \$650,000 as of March 1, 2012 and was and will be increased by at least 5% annually. For more information about Mr. Durkin’s base salary, see “—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Salary” above.

Mr. Durkin is also eligible for an annual bonus under the CAIP with a target amount of 100% of his base salary, the actual amount of which is determined at the Company’s sole discretion based on his overall performance and the Company’s performance. For more information about performance-based bonuses, see “—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (*i.e.*, the CAIP) and Other Performance-Based Bonuses” above. Mr. Durkin is also entitled to participate in all benefit plans generally available to our executive officers and we are required to maintain a \$3 million supplemental term life insurance policy for the benefit of his estate throughout the term of his employment.

As an inducement to enter into the Durkin Employment Agreement, in 2012 Mr. Durkin was (1) paid a signing bonus of \$1,250,000, (2) granted an option to purchase 300,000 shares of our Common Stock, which vested or will vest, as the case may be, in four equal installments on each of March 14, 2014, 2015, 2016 and 2017, (3) granted 350,000 restricted share units, which vested or will vest, as the case may be, in four equal installments on each of March 14, 2014, 2015, 2016 and 2017, and (4) granted 450,000 performance-based restricted share units, (A) one-fifth of which vested on each of March 14, 2013, 2014 and 2015, in each case following the Compensation Committee’s determination that the non-GAAP diluted earnings per share objective for the Company set forth in our AOP for the prior year had been met or exceeded and (B) one-fifth of which will vest on each of March 14, 2016 and 2017, in each case, only if the Compensation Committee determines that the non-GAAP diluted earnings per share objective for the Company set forth in our AOP for the prior year has been met or exceeded.

Pursuant to the Durkin Employment Agreement, until the second anniversary of the expiration of the term of his employment, Mr. Durkin is restricted from soliciting the employment of anyone then employed by us or our subsidiaries (or anyone who was employed by us or them during his final 90 days of employment). Mr. Durkin is also restricted from inducing any of our business partners to alter its relationship with us while he is our employee. Mr. Durkin is also generally not permitted to negotiate for other employment before the final six months of the term of his employment under the Durkin Employment Agreement. In addition, Mr. Durkin is prohibited from competing with us during the term of his employment under the Durkin Employment Agreement.

Thomas Tippl

Employment Agreement

Thomas Tipl is party to an employment agreement with us, dated as of September 9, 2005, amended as of December 15, 2008, April 15, 2009, March 23, 2010, and December 5, 2013, and assigned to us by Activision Publishing on April 15, 2009 (the “Tipl Employment Agreement”), pursuant to which he served as the Chief Financial Officer of Activision Publishing until the consummation of the Vivendi Games Combination, as our Chief Financial Officer from the consummation of the Vivendi Games Combination until February 2009, as our Chief Corporate Officer and Chief Financial Officer from February 2009 until March 2010 and, since March 2010 serves as our Chief Operating Officer (as well as continuing to serve as our Chief Financial Officer until a replacement was hired in March 2012). Mr. Tipl’s term of employment under the Tipl Employment Agreement began on October 1, 2005 and continues through April 30, 2016 (subject to our right to extend for an additional year).

Pursuant to the Tipl Employment Agreement, Mr. Tipl’s annual base salary was \$1,250,000 as of December 5, 2013, and beginning in 2015, will be increased by an amount at least equal to the average percentage increase approved by the Compensation Committee for members of the executive leadership team with respect to that year (excluding any increase guaranteed to any such person by contract or due to such person’s significant promotion or modification in duties). For more information about Mr. Tipl’s base salary, see “—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Salary” above.

Pursuant to the Tipl Employment Agreement, Mr. Tipl is also eligible for an annual bonus under the CAIP with a target amount of 150% of his base salary, the actual amount of which is determined at the Company’s sole discretion based on his overall performance and the Company’s performance. For more information about performance-based bonuses, see “—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (*i.e.*, the CAIP) and Other Performance-Based Bonuses” above. Mr. Tipl is also entitled to participate in all benefit plans generally available to our executive officers and we are required to maintain a \$9,375,000 supplemental term life insurance policy for the benefit of his estate throughout the term of his employment.

As an inducement to enter into the initial employment agreement, in 2005 Mr. Tipl was (1) paid a signing bonus of \$100,000 and (2) granted an option to purchase 1,600,000 shares of our Common Stock, (A) one-third of which vested in five annual installments beginning on October 3, 2006, (B) (i) one-ninth of which vested on May 15, 2007, following the Compensation Committee’s determination that the operating income objective for the Company set forth in our fiscal 2006 AOP had been met or exceeded, (ii) one-ninth of which vested on May 15, 2008, following the Compensation Committee’s determination that the operating income objective for the Company set forth in our

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fiscal 2007 AOP had been met or exceeded, and (iii) one-ninth of which vested on May 11, 2009, following the Compensation Committee's determination that the operating income objective for the Company set forth in our fiscal 2008 AOP had been met or exceeded, and (C) one-third of which vested on October 3, 2010. In addition, in consideration for abandoning certain long-term compensation, pension benefits and related equity participations with his prior employer when he joined the Company, Mr. Tippl was granted 193,424 restricted shares of our Common Stock, which vested in three equal installments on each of October 3, 2008, 2009 and 2010.

As an inducement to enter into the February 2009 amendment to the Tippl Employment Agreement pursuant to which he was promoted from Chief Financial Officer to Chief Corporate Officer and Chief Financial Officer and the term of his employment was extended through April 2014, in 2009 Mr. Tippl was granted (1) an option to purchase 1,200,000 shares of our Common Stock, which vested in five equal installments on each of February 15, 2010, 2011, 2012, 2013 and 2014, (2) 150,000 restricted shares, which vested in five equal installments on each of February 15, 2010, 2011, 2012, 2013 and 2014, and (3) 80,000 restricted shares of our Common Stock, which vested on February 15, 2010 (as our non-GAAP diluted earnings per share for 2009 exceeded the stated target of \$0.68).

As an inducement to enter into the March 2010 amendment to the Tippl Employment Agreement pursuant to which he was promoted to Chief Operating Officer and continued to serve as our Chief Financial Officer until a replacement was hired (thereby simultaneously filling two leadership roles during a time of significant organizational transition), in 2010 Mr. Tippl was granted (1) an option to purchase 525,000 shares, which vested in four equal installments on each of February 15, 2011, 2012, 2013 and 2014, (2) 350,000 restricted share units, each representing the right to receive one share of our Common Stock, which vested in four equal installments on each of February 15, 2011, 2012, 2013 and 2014, and (3) 225,000 restricted shares of our Common Stock, one-fourth of which vested on each of February 15, 2011, 2012, 2013 and 2014, in each case following the Compensation Committee's determination that the non-GAAP diluted earnings per share objective for the Company set forth in our AOP for the prior year had been met or exceeded.

As an inducement to enter into the December 2013 amendment to the Tippl Employment Agreement, which was executed on January 15, 2014 and pursuant to which, among other things, the term of his employment was extended through April 2016 (or, if we so elect, through April 2017), in February 2014, Mr. Tippl was granted 309,917 time-based restricted share units, the number of which was based on a total grant date value of approximately \$6,000,000, which vested or will vest, as the case may be, in three equal installments on each of March 31, 2015, 2016, and 2017. As further inducement to enter into that amendment, Mr. Tippl received a grant of 1,022,728 performance-based restricted share units, the number of which assumes maximum performance and was based on a value on the date of grant (*i.e.*, February 10, 2014) approximately equal to \$19,800,000; target performance would result in the vesting of 681,817 restricted share units. With respect to approximately 45% of these performance-based restricted share units (*i.e.*, a maximum of 464,876 restricted share units), performance is measured by reference to the non-GAAP diluted earnings per share objective for the Company set forth in our AOP for the prior year. With respect to approximately 27% of these performance-based restricted share units (*i.e.*, a maximum of 278,926 restricted share units), performance is measured by reference to the non-GAAP adjusted free cash flow objective for the Company set forth in our AOP for the prior year. With respect to the remaining performance-based restricted share units (*i.e.*, a maximum of 278,926 restricted share units), performance is measured with respect to the adjusted operating income objective for Blizzard Entertainment set forth in our AOP for the prior year. In each case: (1) if actual performance is below 75% of target, no shares subject to the performance criteria will be earned; and (2) if actual performance is 75% or more of our operating performance objective for the year, then the number of shares that will be earned will be

equal to the target number of shares for the grant year multiplied by the ratio of the actual operating performance to the AOP operating performance objective for the prior year, up to a maximum of 150%. On March 31, 2015, 290,396 of these restricted share units vested following the Compensation Committee's determination with respect to the Company's 2014 performance; up to one-third of these restricted share units will vest on each of March 31, 2016 and 2017, in each case only following the Compensation Committee determination with respect to the level of achievement of the relevant performance measures.