

LAZARD'S SHAREHOLDER ADVISORY GROUP

2020 Review of Shareholder Activism

Lazard has prepared the information herein based upon publicly available information and for general informational purposes only. The information is not intended to be, and should not be construed as, financial, legal or other advice, and Lazard shall have no duties or obligations to you in respect of the information.

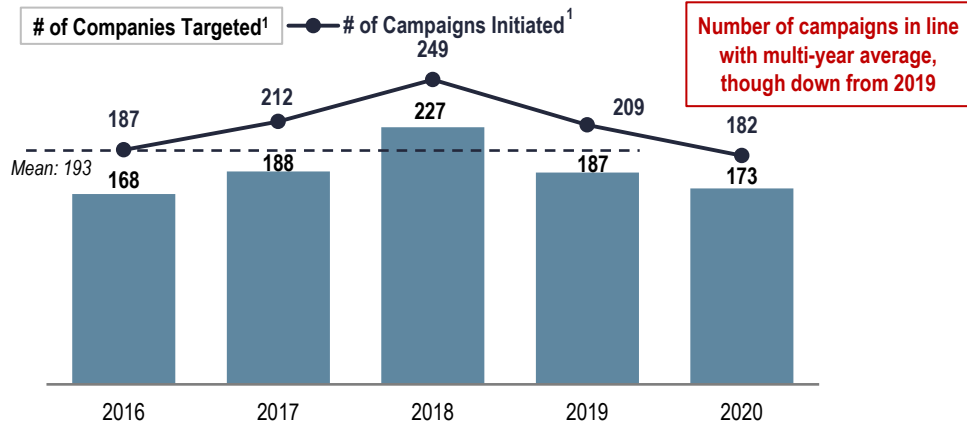
Observations on the Global Activism Environment in 2020

1	COVID “Pause” Is Over	<ul style="list-style-type: none"> Global activity saw a strong snap back in Q4, with 57 new campaigns launched (up 128% from Q3 level) <ul style="list-style-type: none"> As a result, 2020’s final global campaign tally (182 new campaigns launched) was down only 13% from 2019 The Q4 rebound was most pronounced in the U.S., where 30 new campaigns represented a 200% increase from Q3 levels <ul style="list-style-type: none"> Among U.S. targets, mega-cap (\$25bn+) companies returned to the spotlight, accounting for ~20% of Q4 activity and featuring prominent campaigns such as Intel / Third Point, Elliott / Public Storage, Exxon / Engine No. 1 and Disney / Third Point Non-U.S. activity saw an uptick for the year, with European and APAC campaign levels up 21% and 11%, respectively, over 2019 levels With two-thirds of U.S. nomination windows opening from December 2020 through February 2021 and strong momentum in Europe and APAC, 2021 is poised for heavy campaign activity
2	A New European Activism Landscape	<ul style="list-style-type: none"> Europe’s 21% Y-o-Y increase in campaign activity owed largely to the year beginning and ending at a blistering pace, with industrial companies and small to mid-cap players sharply in the crosshairs, resulting in Europe witnessing in 2020 a record year for activism The activism landscape is broadening across large European markets and the “face of the agitator” is diversifying <ul style="list-style-type: none"> Institutional and occasional activists now account for roughly half of all campaigns Frustrated shareholders are increasingly attacking management and Boards as they seek to control the strategy and direction of targeted companies
3	Board Seats and M&A Still in Focus	<ul style="list-style-type: none"> 131 Board seats were won by activists in 2020, in line with the multi-year average¹ <ul style="list-style-type: none"> Consistent with past years, the majority of Board seats were secured via negotiated settlements (~84% of Board seats) The relative stability in Board seats won in 2020, in spite of fewer campaigns, owes to the fact that many campaigns launched prior to 2020 gave rise to Board seats in 2020 As in prior years, M&A was the most common objective, featuring in 41% of campaigns (consistent with multi-year averages) <ul style="list-style-type: none"> This consistency with prior year levels was reached thanks to M&A accounting for ~47% of Q4 campaigns, up from only ~34% in Q1 and Q2
4	ESG Pressure Mounts in the Boardroom	<ul style="list-style-type: none"> Investors, proxy advisors, exchanges and governments alike called for greater diversity at public companies in 2020 Progress continued for unified sustainability reporting as numerous investors pushed for issuers to adhere to SASB and TCFD, while IFRS announced it would develop its own sustainability standards board and IIRC merged with SASB to form the Value Reporting Foundation As passive investors grow their AUM and active investors adopt sustainability strategies, the pressure for public companies to adhere to best ESG practices will continue to intensify
5	Other Key Developments	<ul style="list-style-type: none"> ESG activism gained momentum with the launch of Engine No. 1, which initiated a campaign in early December against ExxonMobil and joins the ranks of other ESG-focused funds, such as Inclusive Capital Partners and Impactive Capital Leading activists (e.g., Starboard, Pershing Square and Corvex) embraced the market’s strong appetite for SPACs in 2020 as a new source of funds; however, there has not yet been “spac-tivism,” i.e., using the SPACs for activist campaigns Private equity firms continue to use “activist-like” tactics at public companies, including Cannae partnering with Senator to force M&A at CoreLogic Amid depressed equity prices during the pandemic, the adoption of poison pills surged in the U.S. with 96 adoptions in 2020 versus 30 in 2019²

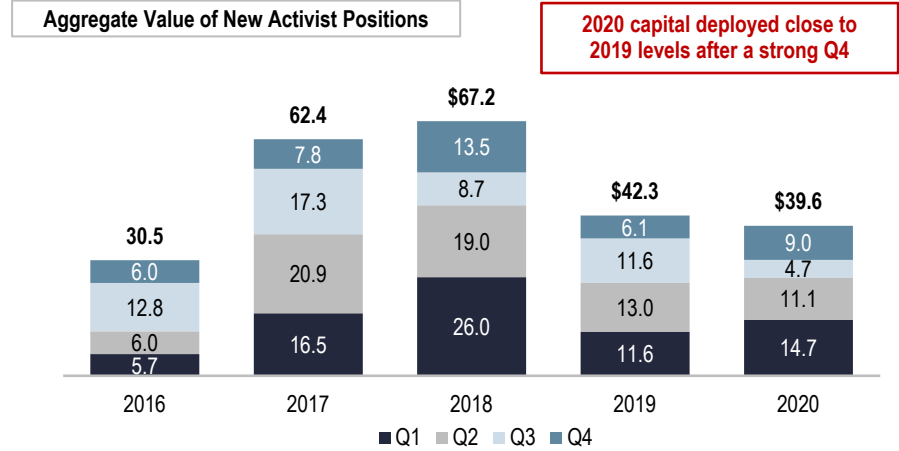
Global Campaign Activity and Capital Deployed

(\$ in billions)

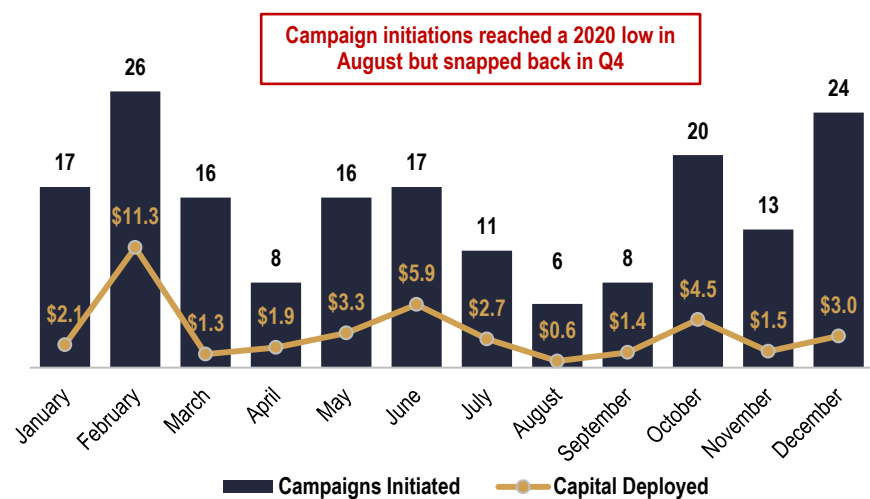
Annual Campaign Activity¹



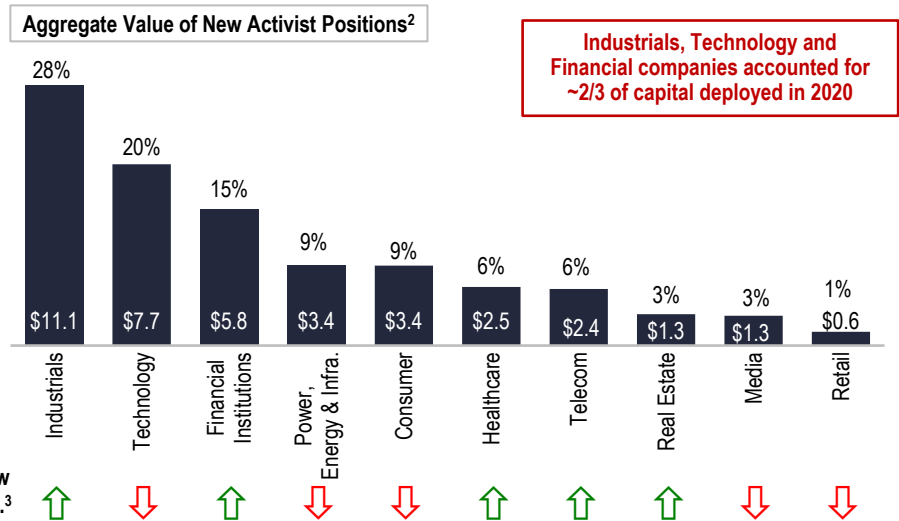
Quarterly Capital Deployed in New Campaigns²



2020 Campaign Initiations by Month¹



2020 Capital Deployed by Sector



Source: FactSet, press reports and public filings.

Note: All data is for campaigns conducted globally by activists at companies with market capitalizations greater than \$500 million at time of campaign announcement; select campaigns with market capitalizations less than \$500 million at time of announcement included during the COVID-19 pandemic-induced market downturn.

1 Companies spun off as part of campaign process counted separately.

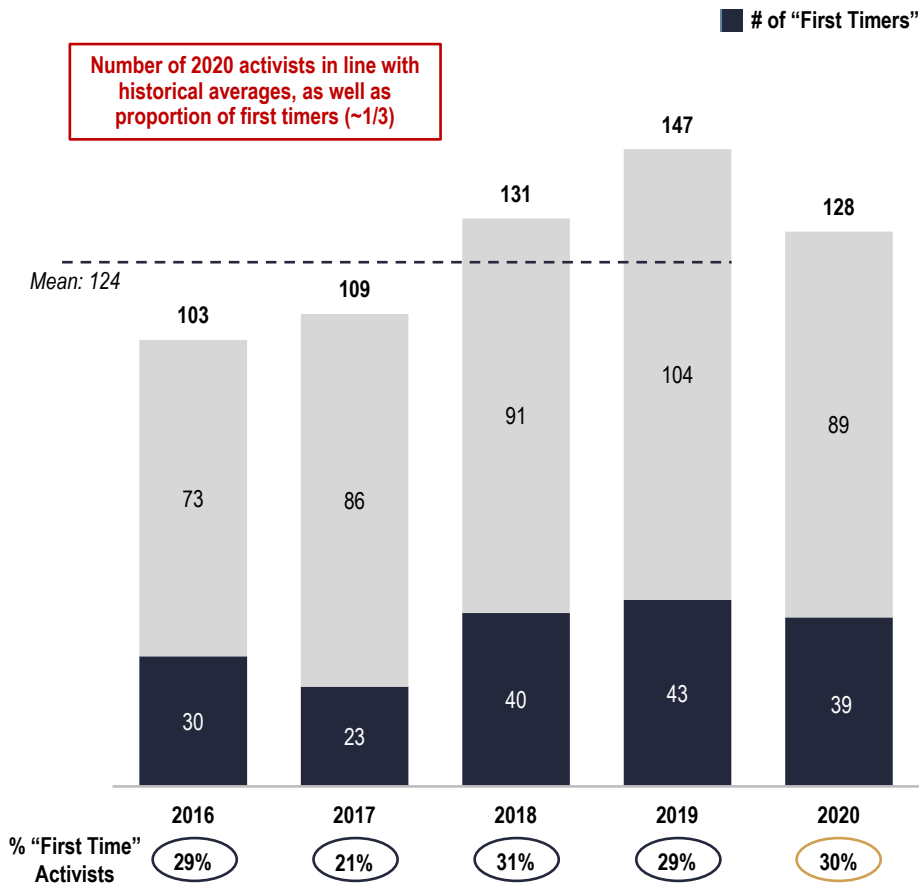
2 Calculated as of campaign announcement date.

3 4-year average based on aggregate value of activist positions.

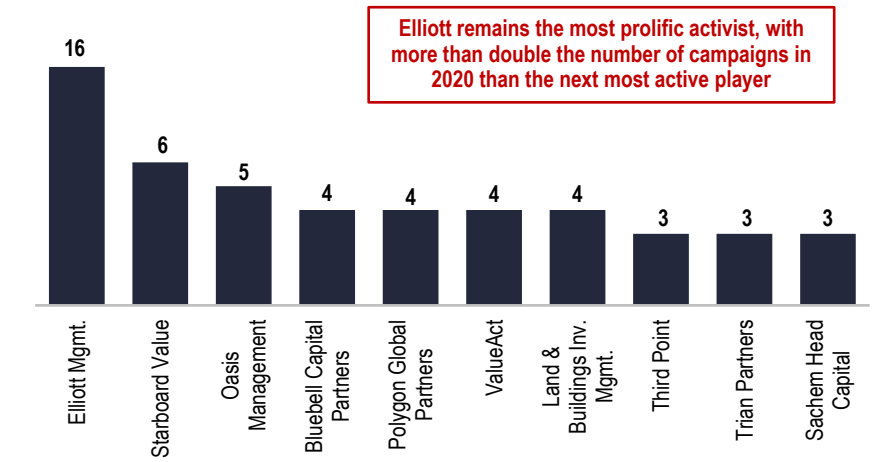
Global Activist Activity in 2020

Although Elliott remains the most prolific in terms of activity and capital deployed, first time activists continued to represent a high proportion of new activity

Investors Launching Activist Campaigns



2020 Activist Activity by Campaigns Launched¹
















































































2020 Capital Deployed (\$bn)



Largest Activist Targets in 2020—U.S. and Rest of World

(\$ in billions)

U.S.				Rest of World				
Company	Activist	Position ¹	Market Cap ¹	Company	Country	Activist	Position ¹	Market Cap ¹
 The Walt Disney Company	 THIRD POINT	0.3%	\$222.1	 SoftBank		 ELLIOTT	3.0%	\$89.8
 COMCAST	 TRIAN PARTNERS	0.4% ²	203.7	 RioTinto		 ODEY ASSET MANAGEMENT	--	82.1
 intel	 THIRD POINT	0.5% ²	202.4	 Nintendo		 VC ValueAct Capital	2.0%	56.3
 ExxonMobil	 ENGINE NO.1 /  DE Shaw & Co	0.1% / <0.1%	172.9	 DAIMLER		HARRIS ASSOCIATES	5.0%	50.6
 CROWN CASTLE	 ELLIOTT /  LANDandBUILDINGS	1.4% / <0.1%	72.6	 PRUDENTIAL		 THIRD POINT	5.0%	47.8
 Public Storage	 ELLIOTT	--	39.1	 Vestas		 BLUEBELL CAPITAL PARTNERS	--	33.8
 Exelon	 CORVEX MANAGEMENT	0.2%	38.3	 ENGIE		 AMBER CAPITAL	--	32.2
 Twitter	 ELLIOTT	4.0%	25.8	 SAMPO GROUP		 ELLIOTT	3.0%	24.5
 NIKOLA	 VC ValueAct Capital	5.6%	24.6	 DSM		 OCEANWOOD CAPITAL MANAGEMENT	--	21.9
 CORTEVA agriscience	 STARBOARD VALUE	1.6%	24.2	 UniCredit		 Delfin	1.9%	20.3
 evergy	 ELLIOTT	5.0%	15.7	 SEKISUI HOUSE		Isami Wada	--	14.8
 Elanco	 SACHEM HEAD	5.9%	15.1	 rbi restaurant brands International		 Pershing Square Holdings	9.6%	14.6
 ON	 STARBOARD VALUE	--	10.7	 TOSHIBA		 EFFISSIMO CAPITAL MANAGEMENT /  3D INVESTMENT PARTNERS /  FARALLON CAPITAL MANAGEMENT	22.8% ³	14.6
 f5	 ELLIOTT	--	9.5	 NN		 ELLIOTT	3.0%	13.9
 CenterPoint Energy	 ELLIOTT	6.9%	9.0	 SOLVAY		 BLUEBELL CAPITAL PARTNERS	--	12.4
Cumulative Market Cap of Top 15:			\$1,085.7	Cumulative Market Cap of Top 15:			\$529.6	

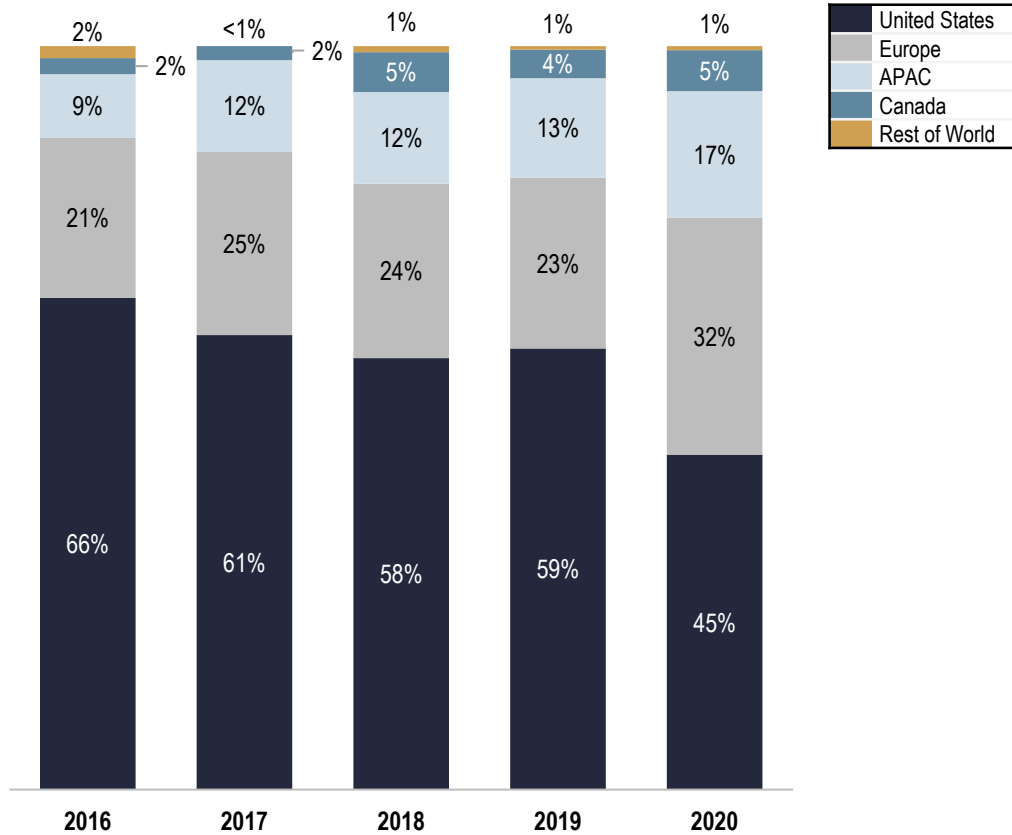
Strong Non-U.S. Activity, Partially Offset By a Q4 Surge in the U.S.

(\$ in billions)

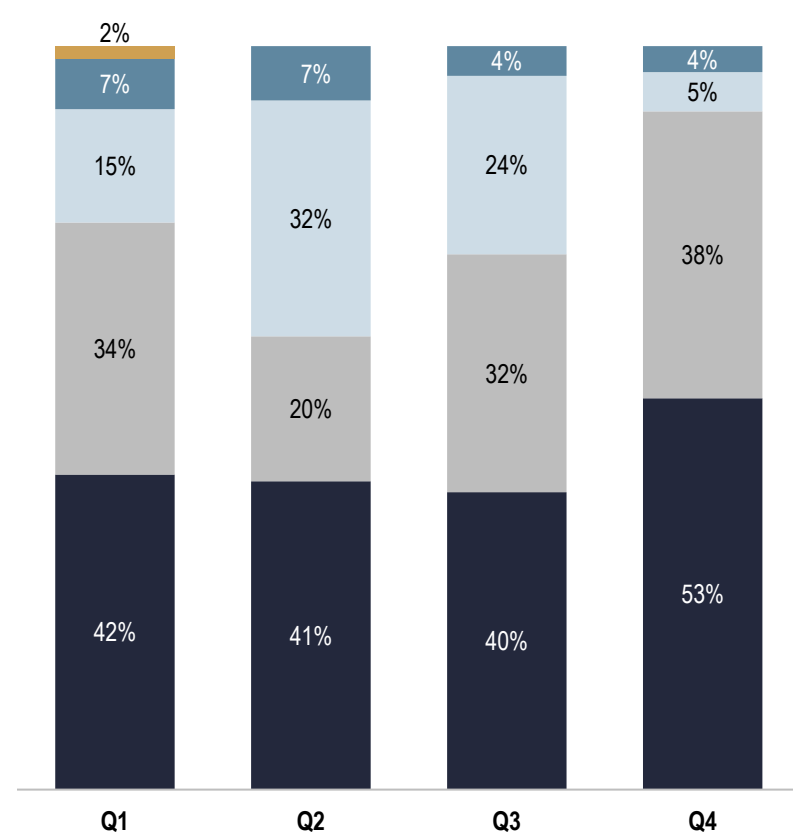
The number of U.S. activist campaigns represents a multi-year low as a proportion of global activity

- However, strong U.S. activity in Q4 represented a proportion of global activity significantly higher than the 2020 full-year average

Regional Breakdown of Campaigns Initiated by Year



Regional Breakdown of Campaigns Initiated in 2020 by Quarter

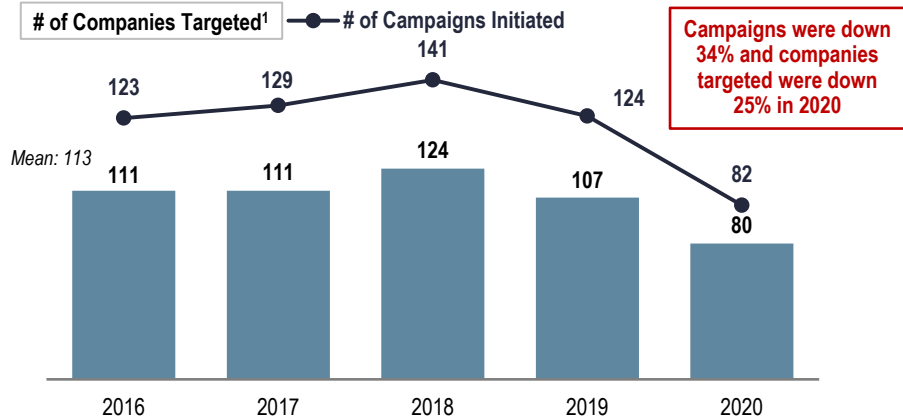


U.S.: Campaign Activity and Capital Deployed

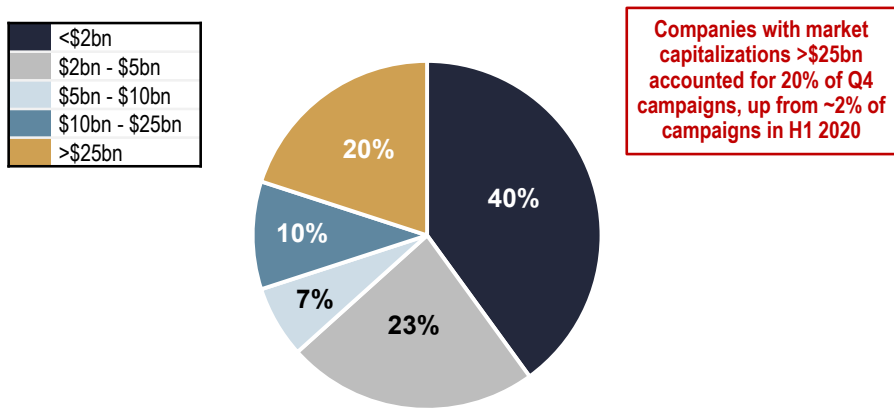


(\$ in billions)

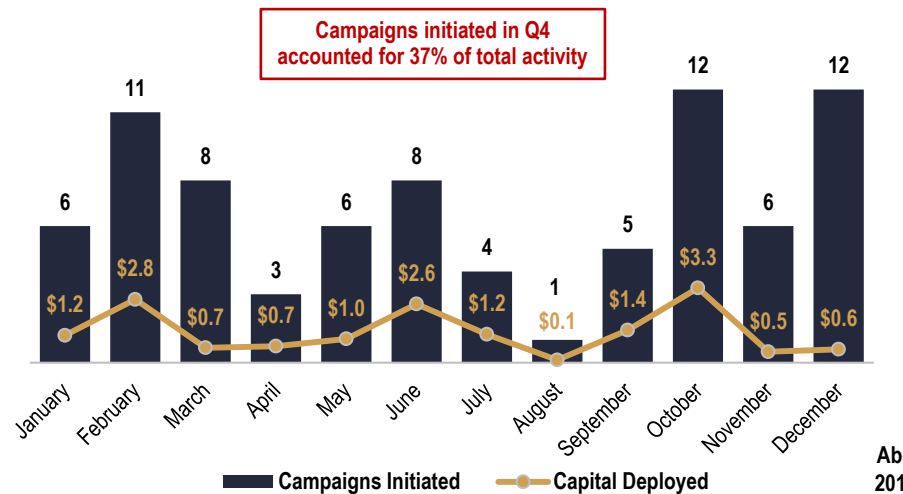
U.S. Annual Campaigns Initiated¹



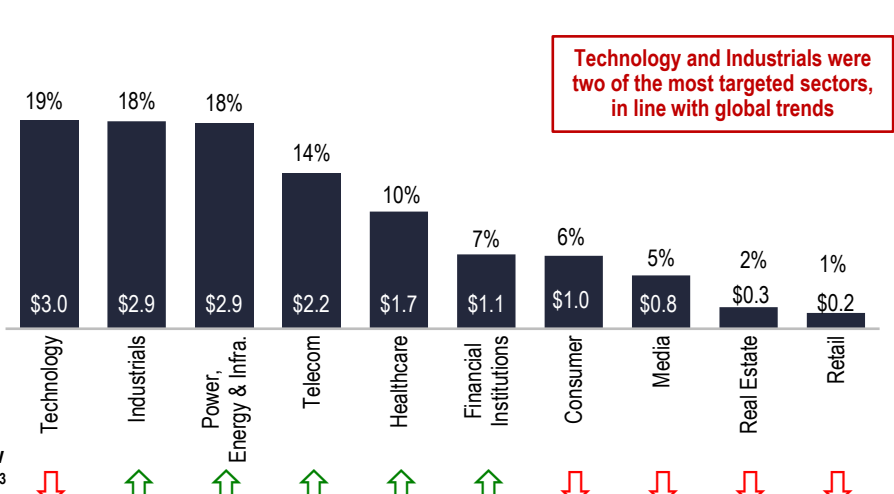
U.S. Market Cap. Breakdown of New Campaigns, Q4 2020²



2020 U.S. Campaign Initiations by Month¹



2020 U.S. Capital Deployed by Sector²



Source: FactSet, press reports and public filings.

Note: All data is for campaigns conducted globally by activists at companies with market capitalizations greater than \$500 million at time of campaign announcement; select campaigns with market capitalizations less than \$500 million at time of announcement included during the COVID-19 pandemic-induced market downturn.

1 Companies spun off as part of campaign process counted separately.

2 Calculated as of campaign announcement date.

3 4-year average based on aggregate value of activist positions.

U.S.: Notable 2020 Public Campaign Launches and Developments



(\$ in billions)

Launch Date	Company / Market Cap	Activist	Highlights	Launch Date	Company / Market Cap	Activist	Highlights
12/20	intel \$202.4	THIRD POINT	<ul style="list-style-type: none"> In December, Third Point urged Intel to explore strategic alternatives, including selling prior acquisitions and splitting its design and manufacturing operations Third Point also claimed the Company has a "human capital management issue" that has caused its chip designers to leave 	10/20	Invesco \$5.4 Janus Henderson GROUP PLC \$4.6	TRIAN PARTNERS	<ul style="list-style-type: none"> In October, Trian filed 13Ds at both Invesco and Janus Henderson, and Barron's reported that Trian is calling for a merger between the two investment managers In November, Invesco increased its Board from nine to twelve Directors by appointing Nelson Peltz, Ed Garden and Thomas M. Finke
12/20	Public Storage \$39.1	ELLIOTT	<ul style="list-style-type: none"> In December, Elliott nominated a six-Director slate and criticized the Company's performance and strategy and stated that its recent Board refreshment was not enough In January 2021, Elliott was granted two Board seats and the Company established a Long-Term Planning Committee 	7/20	CC CROWN CASTLE \$72.6 ¹	ELLIOTT L&B LAND AND BUILDINGS	<ul style="list-style-type: none"> Elliott urged Crown Castle to focus on its legacy business and shift capex away from fiber optics Later in July, Crown Castle announced changes to its governance structure and Board and that it would provide additional capex disclosure In August, Elliott sent a letter to the Board calling for a strategic review of the fiber business In October, Crown Castle added two Directors to the Board and raised its dividend by 11% In December, Crown Castle added another independent Director to the Board
12/20	ExxonMobil \$172.9	ENGINE NO. 1 CALSTRS D.E. Shaw & Co	<ul style="list-style-type: none"> In December, Engine No. 1 called for more disciplined capital allocation, a plan for sustainable value creation, Board refreshment and an overhaul of management compensation <ul style="list-style-type: none"> CalSTRS later supported Engine No. 1 and its slate Days later, D.E. Shaw requested that the Company cut its spending to improve performance and maintain its dividend 	2/20	Twitter \$25.8	ELLIOTT	<ul style="list-style-type: none"> In February, Elliott nominated four Directors and pushed for the removal of CEO Jack Dorsey In March, Elliott received three Board seats and Silver Lake invested \$1bn to be used with cash on hand to fund a share repurchase program In November, Twitter's Management Structure Committee (which includes two Elliott representatives) recommended that Dorsey remain as CEO
10/20	The Walt Disney Company \$222.1	THIRD POINT	<ul style="list-style-type: none"> In October, Third Point urged the Company to abandon its \$3B annual dividend and instead invest in Disney+ Disney later announced a strategic reorganization of its media and entertainment businesses into a new structure designed to further accelerate the Company's direct-to-consumer strategy and suspended its next semi-annual dividend 	1/20	evergy \$15.7	ELLIOTT	<ul style="list-style-type: none"> In January 2020, Elliott disclosed a stake in Evergy and called for the Company to pursue a merger, among other demands After an attempted sales process, in August 2020, Evergy announced—with support from Elliott—the development of a new five-year strategic plan that would keep the Company independent In November, after NextEra made a bid for the Company, Elliott urged Evergy to restart discussions with NextEra about a sale

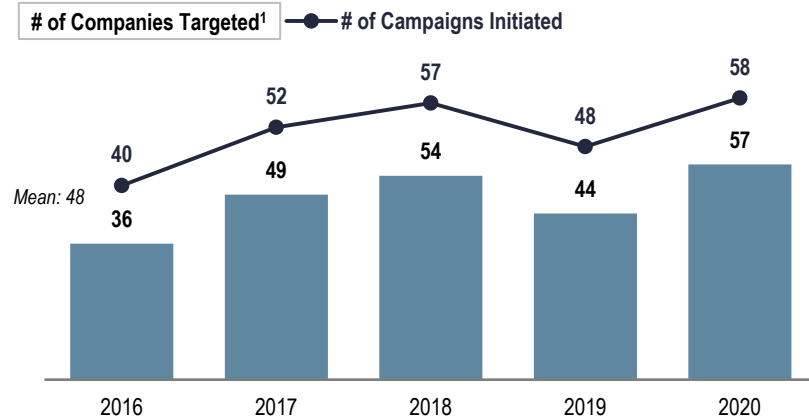
Europe: Campaign Activity



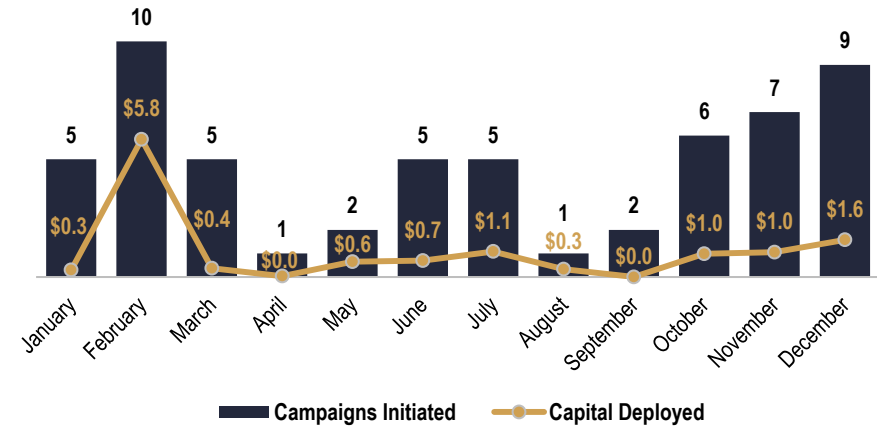
(\$ in billions)

The COVID crisis led to a dramatic reduction in new campaigns from April to September, but campaigns rebounded at the end of the year

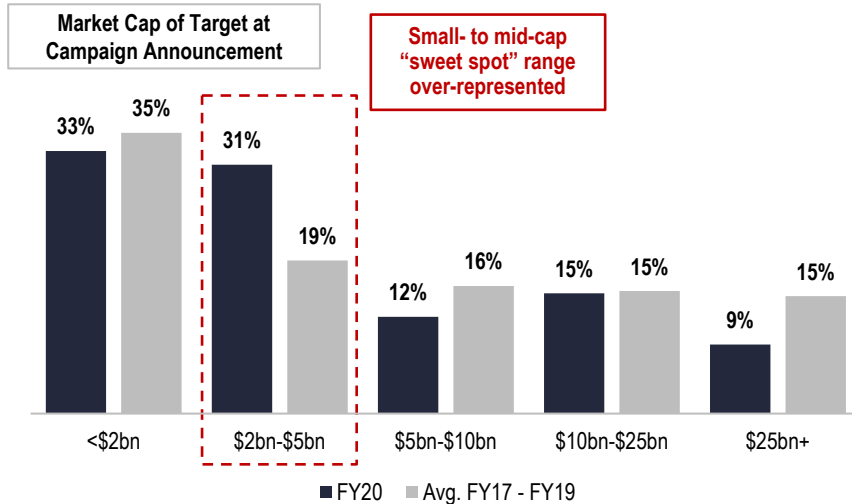
European Annual Campaigns Initiated¹



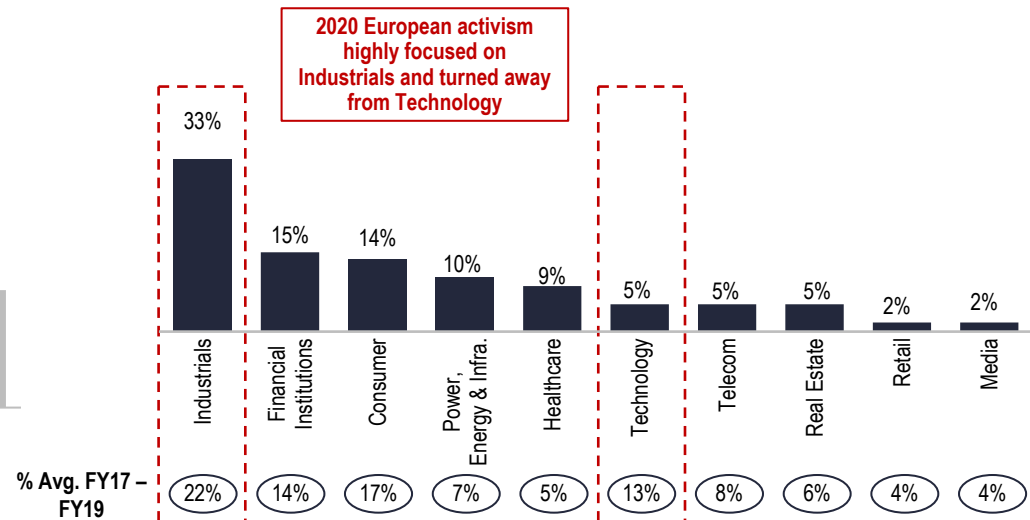
2020 European Campaign Initiations by Month¹



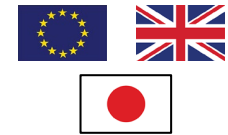
European Campaigns by Target Market Cap



Campaigns by Sector (in %), 2020



Non-U.S.: Notable 2020 Public Campaign Launches and Developments

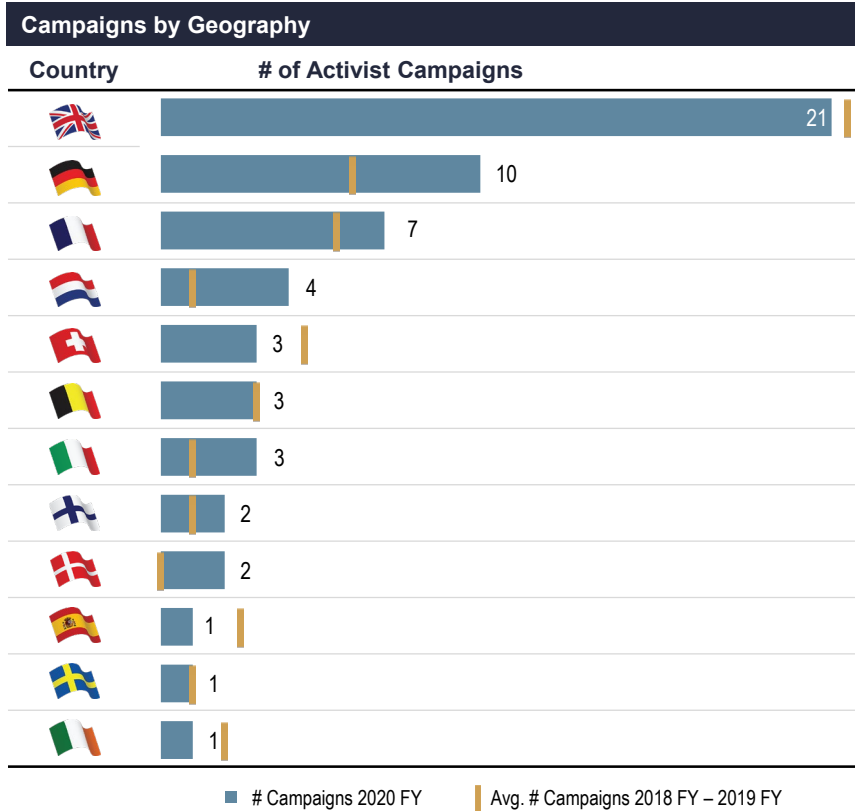


(\$ in billions)

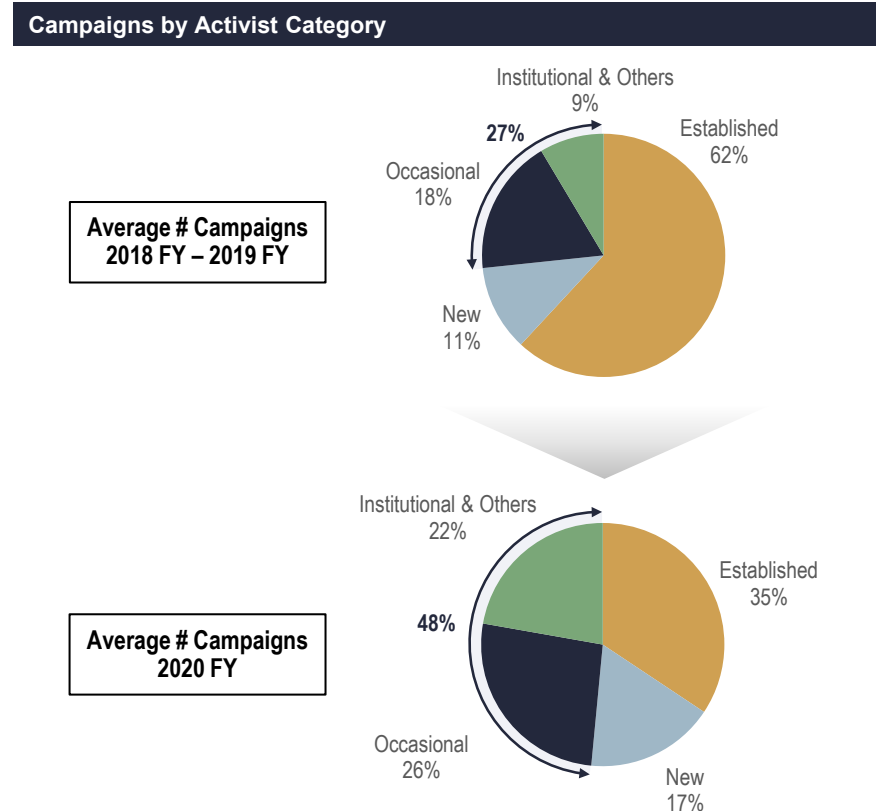
Launch Date	Company / Market Cap	Activist	Highlights
11/20	 \$82.1 		<ul style="list-style-type: none"> In November, Odey Asset Management urged the Company to change the financing of its Oyu Tolgoi copper project Odey said that the Company should trigger clauses in its funding agreements with Turquoise Hill Resources, its Canadian subsidiary, as well as seek repayment of project finance loans through a rights issue at Turquoise Hill (in which Odey holds a short position)
11/20	SAMPO \$24.5 		<ul style="list-style-type: none"> In November, Elliott welcomed the disposal of Sampo's investment in Nordea but criticized Sampo's "structural complexity" and its overall performance Elliott later released a presentation calling for divestitures, a focus on its P&C business and a simplification of its corporate structure
10/20	 \$6.7 	Aermont Capital NJJ Holding	<ul style="list-style-type: none"> In October, Xavier Niel and Léon Bressler (ex-CEO) opposed the Company's proposed rights issue, urged the Company to refocus on European shopping centers and nominated three Directors to the Board In November, shareholders voted against the proposed rights issuance and the activists' three nominees were elected to the Board
6/20	 \$14.6 	 	<ul style="list-style-type: none"> In June, Effissimo Capital Management nominated three Directors and 3D Investment Partners nominated two Directors to the Board In July, Toshiba announced that all of its Director nominees were elected to the Board and that both Effissimo's and 3D's proposals were rejected Effissimo and 3D later called for an investigation into the voting process after some votes were not counted

Launch Date	Company / Market Cap	Activist	Highlights
4/20	 \$56.3 		<ul style="list-style-type: none"> In April, Reuters reported that ValueAct had built a stake of over \$1.1bn in Nintendo; per an investor letter seen by Reuters, ValueAct stated that it has had several meetings with Nintendo management and offered to provide "relevant experience and guidance"
2/20	 \$47.8 		<ul style="list-style-type: none"> In February, Third Point called for a breakup of Prudential's U.S. and Asian operations In March, Prudential announced plans of an IPO for part of its U.S. business as well as a strategic bancassurance partnership with Thailand's TMB Bank in a bid to expand its presence in the Southeast Asian country In August, Prudential announced its intent to fully separate its U.S. business in order to focus on its Asia and Africa operations
2/20	 \$13.9 		<ul style="list-style-type: none"> Elliott disclosed an investment in February, urging the Company to divest assets, cut costs and enhance capital returns In June, Elliott released a White Paper (just before the Company's Capital Markets Day) with several recommendations to increase shareholder value, setting the bar for investor expectations
5/20	 \$89.8 		<ul style="list-style-type: none"> In February, the WSJ reported that Elliott was pushing for share buybacks and improved governance In March, SoftBank announced a ~\$5bn share buyback program; later in March, SoftBank announced \$41bn in asset sales, with the proceeds intended for share repurchases and the repayment of debt In May, the Company added three new Directors to the Board In September, the FT reported that SoftBank was considering a take-private deal

Europe: Distribution of Activism Flattening—Both “Where” and “Who”



- **In 2020, activists intensified their activity in several large European equity markets**
 - Accelerated pace of U.K. companies targeted in H2 2020, with FY campaigns now in line with 2018–2019 historical average
 - 2020 has seen the highest number of activism campaigns in Germany, while France and the Netherlands have equaled their historic high



- **Institutional shareholders and occasional activists are becoming more vocal and increasingly demonstrating activist behavior**
 - Established activists no longer account for the majority of campaigns
- **Campaigns led by institutional shareholders have more than doubled in 2020 compared to 2018–2019 levels...**
- **...while established activists’ activity has reduced by half**

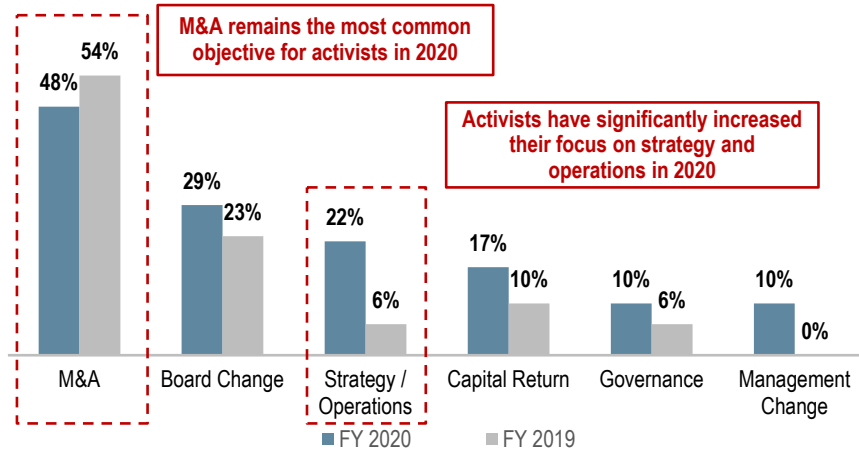


Europe: Multi-Thesis Campaigns in 2020

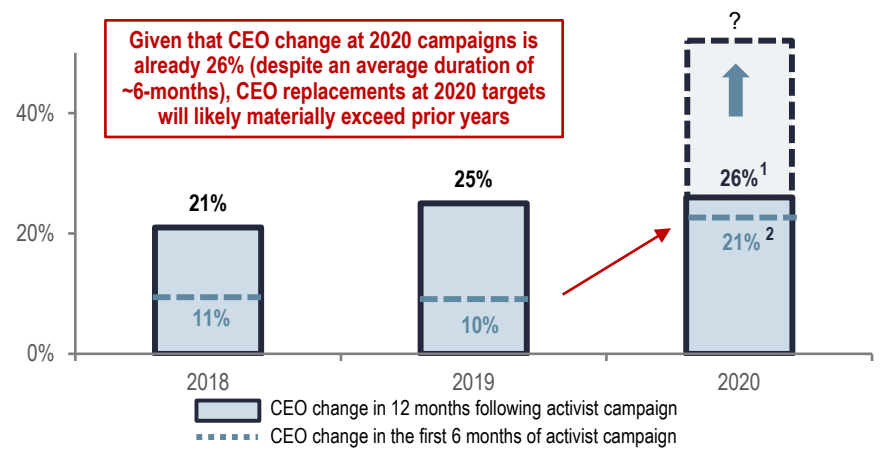
(\$ in billions)

Activists in Europe are increasingly seeking to take control where they disagree with the strategy or direction of the company (including around M&A at small and mid-cap companies)

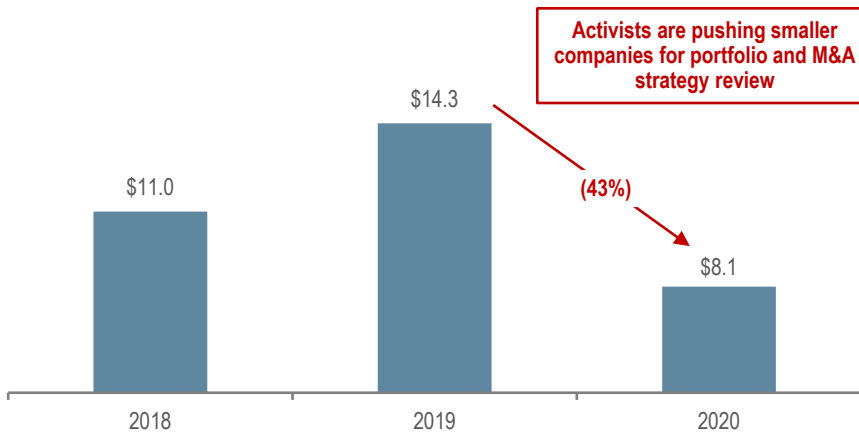
FY2020 European Campaign Objectives



CEO Change Following European Campaigns



Size of European M&A-Targeted Companies³



Activists Seeking to Drive Strategic Agenda at European Targets

Launch Date	Company	Market Cap (\$bn)	Activist
06/20	MEDIOBANCA	\$6.5	BLUEBELL CAPITAL PARTNERS
06/20	Pearson	\$4.9	Cevian Capital
06/20	COMMERZBANK	\$6.3	cerberus
02/20	NN	\$13.9	ELLIOTT

Source: Dealogic, press reports and public filings as of 12/31/2020.

Note: All data is for campaigns conducted globally by activists at companies with market capitalizations greater than \$500 million at time of campaign announcement; select campaigns with market capitalizations less than \$500 million at time of announcement included during the COVID-19 pandemic-induced market downturn. Campaigns may feature multiple objectives; as such, percentages will not equal 100% if summed.

¹ CEO change in the first 12 months of activist campaign for 2020 campaigns to date (including campaigns which are not yet 12 months long). This number will evolve in the coming months.

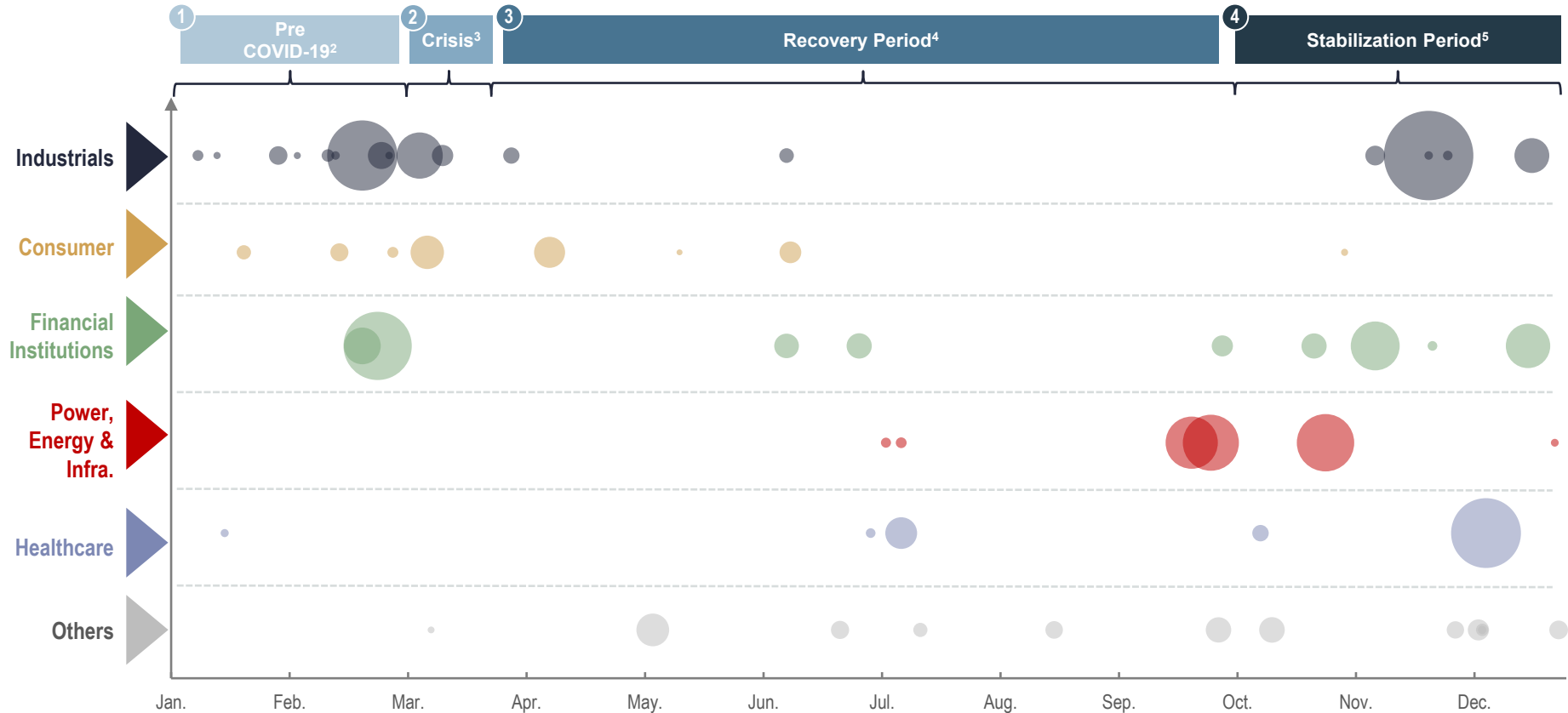
² CEO change in the first 6 months of activist campaign for 2020 campaigns to date (including campaigns which are not yet 6 months long). This number will increase in the upcoming months.

³ Average market cap at announcement date of companies targeted by activists calling for M&A changes.

Europe: Campaign Characteristics in 2020



European Campaigns by Date of Announcement, Industry and Market Cap,¹ 2020



- 1 Pre-COVID activism was highly focused on Industrials, Consumer and Financial sectors**
 - These sectors are traditional centers of activism, but they were also the most impacted by the COVID crisis
- 2 During the COVID outbreak, the limited activity focused on smaller companies due to the unpredictable environment**
 - Most new campaigns were pre-COVID investments
- 3 As the crisis evolved, campaigns became more diversified and activists generally targeted smaller companies**
- 4 Although in recent months, several large companies have been targeted, indicating a gradual return to normality**



Source: FactSet, press reports and public filings as of 12/31/2020.

Note: All data is for campaigns conducted globally by activists at companies with market capitalizations greater than \$500 million at time of campaign announcement; select campaigns with market capitalizations less than \$500 million at time of announcement included during the COVID-19 pandemic-induced market downturn.

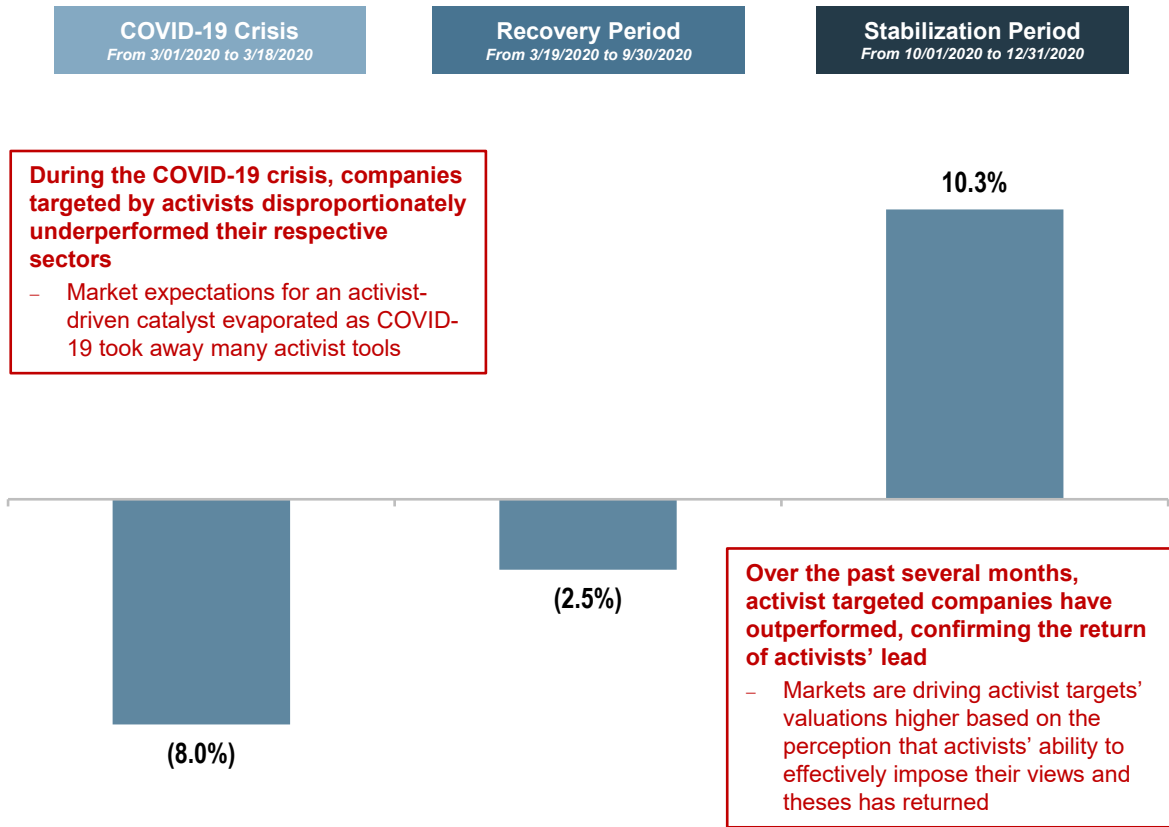
1 Companies market cap at announcement date represented by the size of chart bubbles.
 2 Between start of the year and 2/28/2020.
 3 Between 3/01/2020 and 3/18/2020; 4 Between 3/19/2020 and 9/30/2020; 5 Between 10/01/2020 and 12/31/2020.

Europe: Activist Targets' Performance through COVID-19



Strongly hit by the COVID-19 crisis, companies targeted by activists have now recovered and significantly outperformed their respective sectors

Performance of Recently Targeted Companies¹ Compared to Sector



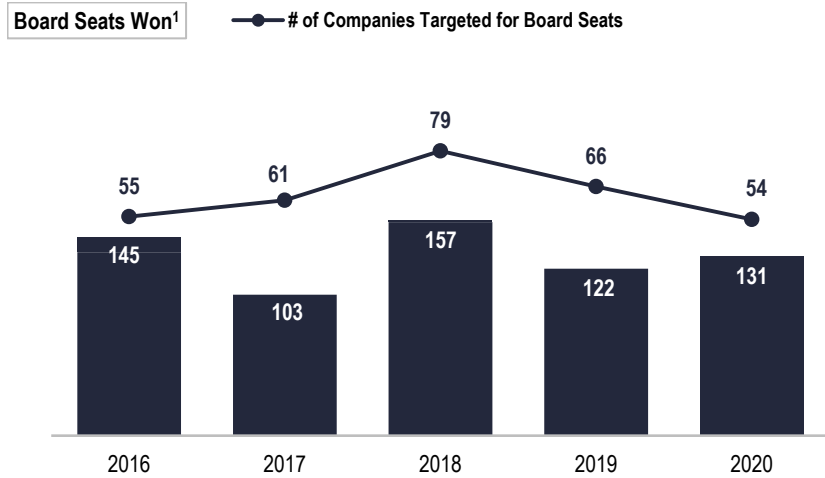
Observations

- With the tools that activists traditionally wield off-limits in the COVID environment, markets became pessimistic on targets**
 - Disposals, sale of the company and buy-backs were severely limited
- However, market perceptions changed in late 2020 as European investors became convinced that the window for activist agitation would be open soon**
 - This outperformance also coincided with the reacceleration of new activist campaigns in Europe

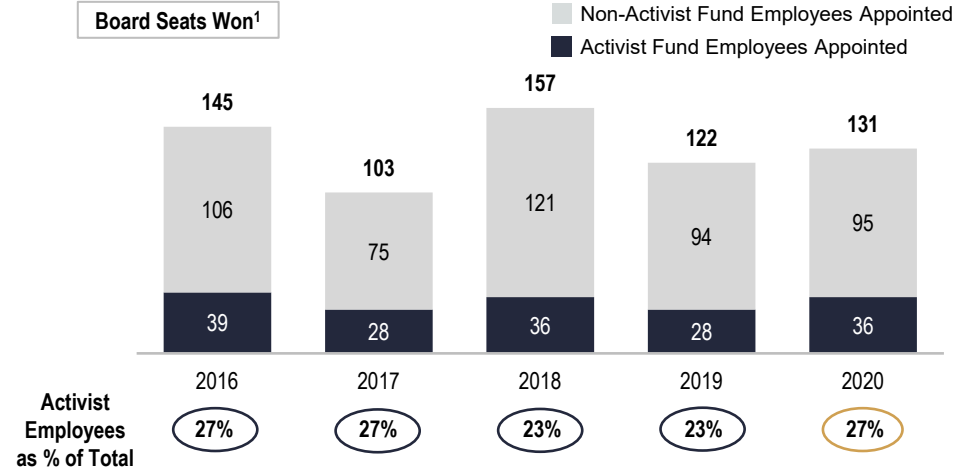
2020 Global Board Seats Won

Although 2020 has seen subdued activist activity, Board seats won by activists remain in line with historical averages due to campaigns launched in 2019 resulting in Directorships in 2020

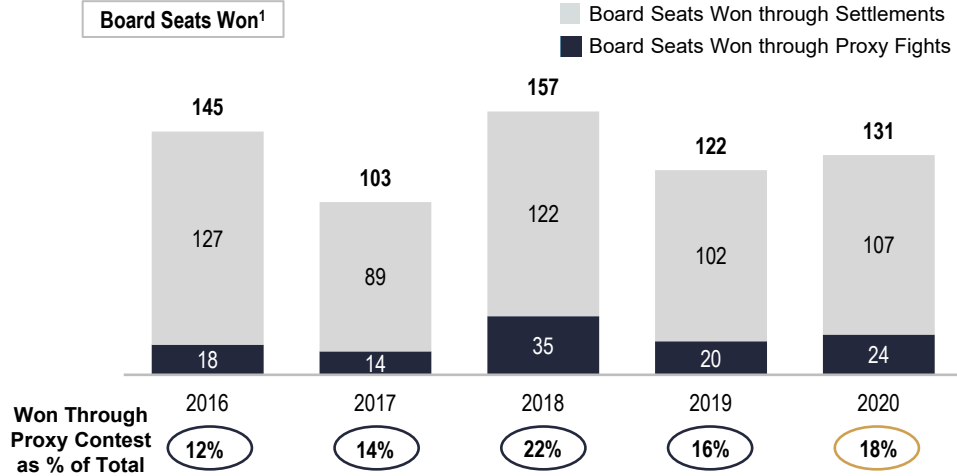
Board Seats Won¹



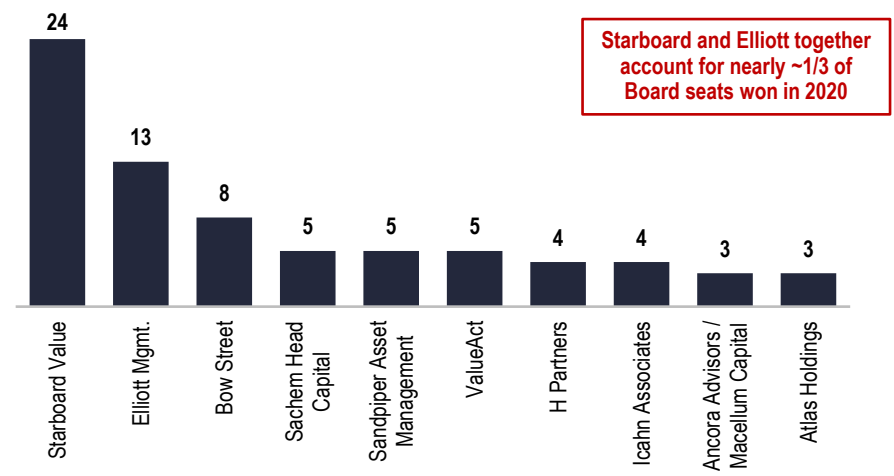
Non-Activist Employees vs. Activist Employees Appointed as Directors



Settlements vs. Proxy Contests



2020 Board Seats Won by Activist



Source: FactSet, press reports and public filings as of 12/31/2020.

Note: All data is for campaigns conducted globally by activists at companies with market capitalizations greater than \$500 million at time of campaign announcement; select campaigns with market capitalizations less than \$500 million at time of announcement included during the COVID-19 pandemic-induced market downturn.

1 Represents Board seats won by activists in respective year, regardless of the year in which the campaign was initiated.

Profile of 2020 U.S. Activist Director Appointments

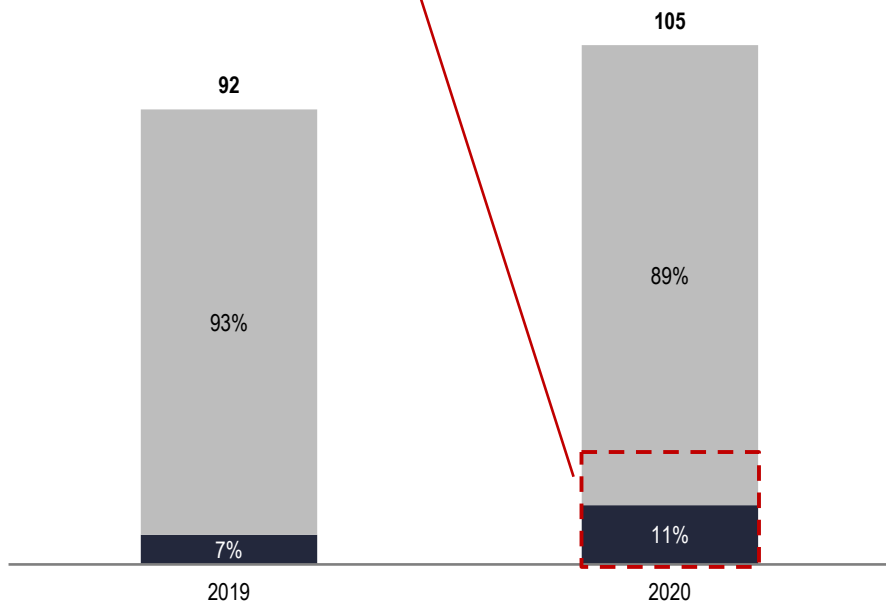
Despite recent initiatives to improve Board diversity, Directors added as a result of U.S. activism in 2020 were generally non-diverse

- Women comprised 24% of Directors appointed from activist campaigns, compared to 47% of new Directors in the S&P 500; 11% of Directors appointed from activist campaigns were ethnically diverse, versus 22% for new Directors in the S&P 500

Ethnic Diversity of Directors Appointed from Activist Campaigns

- Non-Ethnically Diverse
- Ethnically Diverse

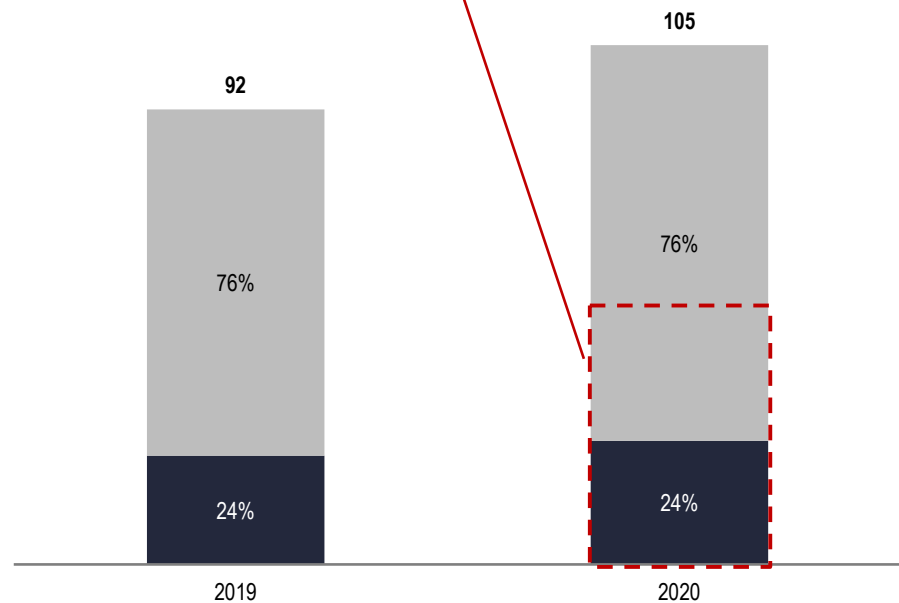
Despite a modest uptick in 2020, ethnic diversity of Directors appointed from activist campaigns remains well below the S&P 500 equivalent of 22% for new Directors¹



Gender Diversity of Directors Appointed from Activist Campaigns

- Male
- Female

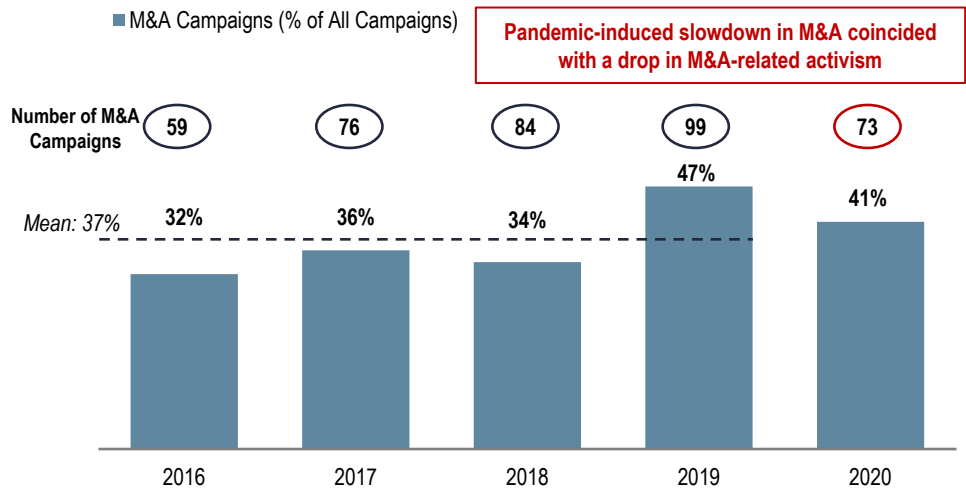
The proportion of female Directors appointed from activist campaigns was in line with 2020, remaining well below the S&P 500 equivalent of 47% for new Directors¹



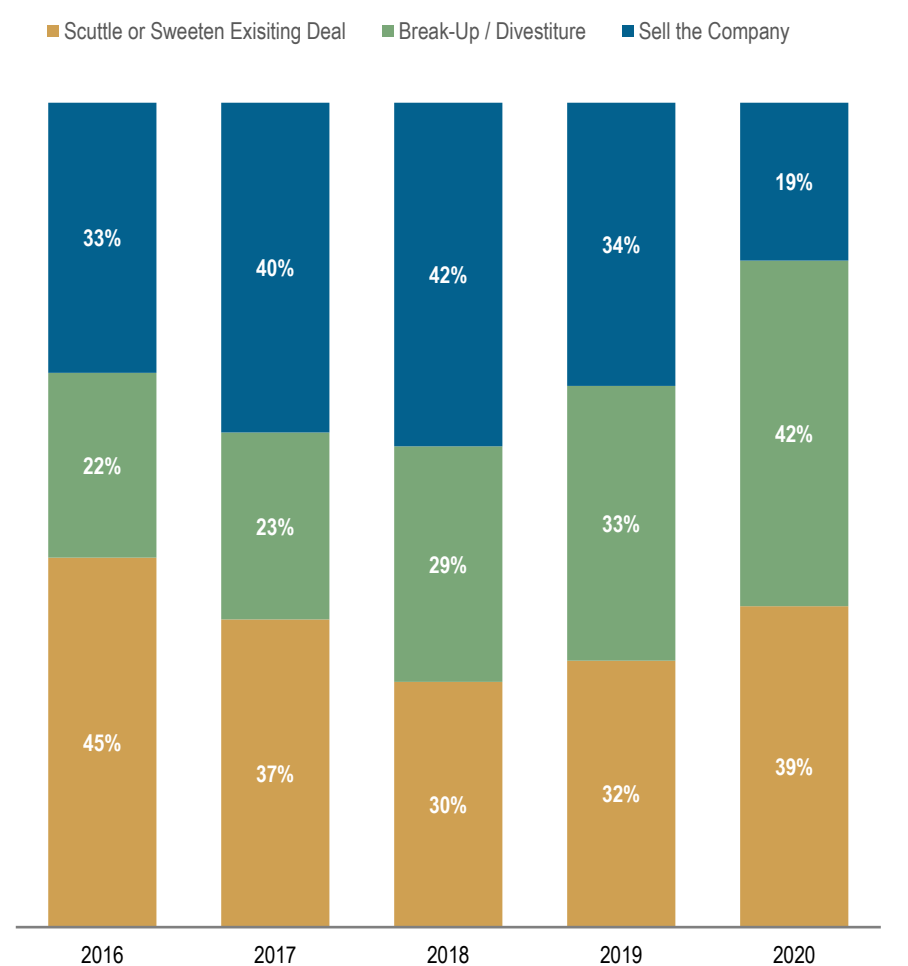
Sustained Prominence of M&A-Related Campaigns

2020 saw a downtick in the proportion of M&A-related activist campaigns (41% relative to 47% in 2019) due to a slower M&A market in Q2; however, it nevertheless remained the most common campaign objective

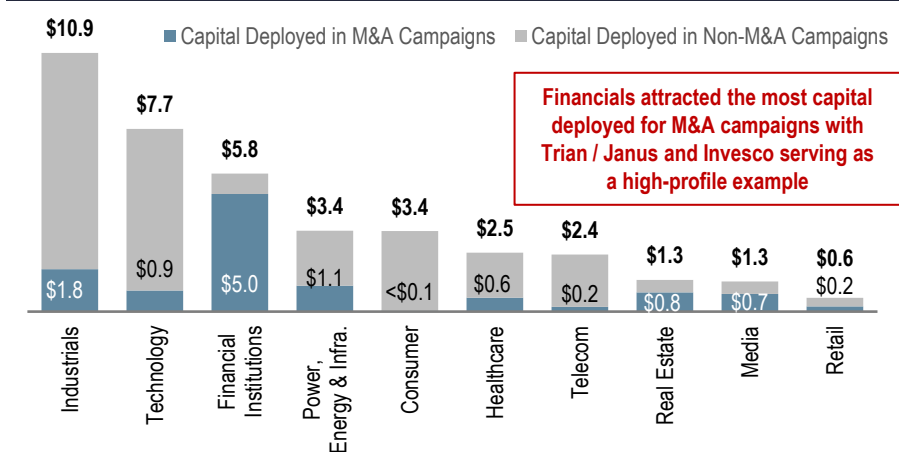
M&A Campaigns



M&A Campaign Objective Prevalence



Capital Deployed in M&A Campaigns by Sector







The Activist Role in M&A in 2020

Sell the Company

Agitate for sale of target or encourage industry consolidation





19%

Target / Activist	M&A Thesis
10/20 	Starboard stated that ACI represented an attractive takeover target and subsequently issued a public letter calling for the Company to sell itself
10/20 	Trian disclosed investments in both Invesco and Janus Henderson and is reportedly calling for a merger between the two investment managers
6/20 	Cannae and Senator made a \$65 per share offer which the Company rejected; a sweetened offer was made and again rejected but the duo won three Board seats and a sales process began
1/20 	Elliott called for Evergy to pursue a merger in January 2020; after Evergy's attempted sales process, NextEra made a bid for the Company in November; Elliott urged Evergy to restart discussions with NextEra about a sale

Break-Up / Divestiture

Agitation for a divestiture of a non-core business line or company breakup





42%

Target / Activist	M&A Thesis
12/20 	Third Point urged Intel to explore strategic alternatives, including selling prior acquisitions and splitting its design and manufacturing operations
11/20 	Elliott released a presentation calling for divestitures and a simplification of Sampo's corporate structure
2/20 	Third Point called for a breakup of Prudential's U.S. and Asian operations; the Company later announced its intent to fully separate its U.S. business in order to focus on its Asia and Africa operations
2/20 	Elliott disclosed an investment and urged the Company to cut costs, enhance capital returns and divest its Insurance Europe and NN Japan businesses

Scuttle or Sweeten Existing Deals

Entry into a live M&A situation to improve deal terms or block an ill-perceived deal from proceeding








39%

Target / Activist	M&A Thesis
10/20 	Lucerne objected to Patrick Drahi's take private offer, claiming the bid undervalued the Company; the activist later threatened to sue and Drahi increased his offer
9/20 	Elliott disclosed an unreported stake in Noble through a filing with the FTC and reportedly was seeking to scuttle its planned sale to Chevron
7/20 	Davidson Kempner said that Thermo Fisher's offer for Qiagen was inadequate and as such would not tender its shares; the deal was later terminated due to insufficient shareholder support
3/20 	Bluebell opposed Cineworld's acquisition of Cineplex and argued that the deal would create an "extremely fragile" firm; Cineworld later terminated the deal because of breaches to the agreement

Renewed Demands for Diversity and Inclusion at Public Companies

Throughout 2020, institutional investors, proxy advisors and other stakeholders have increased expectations for greater diversity at public companies and Boards

Highlights

	Investor	Proxy Advisor	Exchange	Government
	<ul style="list-style-type: none"> Beginning in 2021, BlackRock may vote against members of the nominating / governance committee for a “lack of commitment to board effectiveness” if the “company has not adequately accounted for diversity in its board composition within a reasonable timeframe” Encourages public companies to have at least two women Directors on the Board and to disclose statistics regarding diversity 			
	<ul style="list-style-type: none"> Starting in 2021, State Street expects portfolio companies to “articulate their risks, goals and strategy as related to racial and ethnic diversity, and to make relevant disclosure available to shareholders” State Street will vote against the entire nominating and governance committee where it has “concerns about the lack of gender diversity for four consecutive years and [is] unable to engage in productive dialogue” 			
	<ul style="list-style-type: none"> Beginning in 2021, Vanguard may vote against Directors at companies “where progress on Board diversity falls behind market norms and expectations” 			
	<ul style="list-style-type: none"> ISS will begin identifying companies lacking Board-level ethnic and racial diversity in its 2021 research to help investors engage with companies on the topic <ul style="list-style-type: none"> In 2022, ISS will recommend against the chair of the nominating committee and other select Directors in cases where there is no ethnic or racial diversity and no mitigating factors 			
	<ul style="list-style-type: none"> Currently, Glass Lewis requires that public companies have at least one female Director but will begin noting concern with companies that have fewer than two female Directors in 2021 Starting in 2022, it will generally recommend against the nominating committee chair if there are fewer than two female members on boards with more than six members <ul style="list-style-type: none"> On boards with six or fewer members, Glass Lewis will continue to require a minimum of one female member 			
	<ul style="list-style-type: none"> In December 2020, Nasdaq filed a proposal with the SEC that would require all companies listed on the exchange to disclose consistent and transparent statistics relating to Board diversity <ul style="list-style-type: none"> The rule would also require most-Nasdaq listed companies to have—or explain why they do not have—two or more diverse Directors¹ 			
	<ul style="list-style-type: none"> California adopted a law requiring public companies headquartered in California to have at least one Director on their boards from an underrepresented community by the end of 2021 In addition, the law mandates that the number of directors from underrepresented communities be increased by the end of calendar year 2022 depending on the size of the Board 			

Latest Efforts in Establishing Unified Sustainability Reporting Standards

The standardization of sustainability reporting frameworks across regulators, investors and corporates will dominate the 2021 agenda



- Collaboration initially announced in January 2020, released initial industry-agnostic framework in September
- Framework centered on four main pillars: Governance, People, Planet and Prosperity
- Involvement of the International Business Council of the WEF indicates strong corporate buy-in
- Metrics used draw from existing frameworks (SASB, TCFD, GRI, etc.)



- In September 2020, IFAC stated it would push for a new sustainability standards board under the IFRS Foundation: the International Sustainability Standards Board (ISSB)
- Intends to leverage existing frameworks to develop global standards for ESG disclosures
- In October 2020, BlackRock released a white paper endorsing the IFAC approach and the formation of the ISSB to be the global standards-setter



- In September 2020, the above organizations announced a statement of intent on collaborating on a comprehensive corporate ESG reporting framework incorporating insights and standards from each organization
- Will emphasize “dynamic materiality”, or those sustainability topics that have broad, shifting impacts on broad stakeholder concerns and enterprise value creation
- In November, SASB and IIRC announced they were deepening their collaboration by merging into the Value Reporting Foundation, to provide investors and corporates with a framework combining SASB’s disclosure and IIRC’s integrated reporting frameworks



- In February 2020, IOSCO (whose members regulate 95% of the world’s securities markets) announced it would establish a board-level task force to pursue a standardized global ESG disclosure framework
- IOSCO is concerned with three areas: the numerous extant sustainability frameworks, “lack of common definitions of sustainable activities” and “challenges to investor protection”, including greenwashing

Regulatory Expectations for ESG

The EU and the U.S. under the Biden administration will likely continue to push ESG objectives, including more transparent disclosures and encouraging sustainability-focused capital

- The Biden administration's plan to rejoin the Paris Climate Accords may further spur the growth of sustainable investing strategies

U.S. Under the Biden Administration

Likely Priority ESG Regulatory Actions

- Clarify or reverse recently adopted rules that limit ERISA plans from considering funds that offer “non-pecuniary” benefits
- Revisit recently adopted changes affecting thresholds for shareholder proposal submission and re-submission¹
- Establish clear rules to standardize how mutual funds describe their usage of ESG in the investment process
- **Investigate and establish standardized ESG-related disclosures of material information related to topics such as climate change and diversity**

U.S. ESG Disclosure Considerations

- SEC-mandated ESG disclosures are likely to rely heavily on the recommendations of the Investor-as-Owner Subcommittee of the SEC Investor Advisory Committee from May 2020:
 - Develop “principles-based” mandatory disclosures around material ESG issues that are applicable to issuers regardless of size
 - Rely on existing frameworks like GRI, SASB and TCFD
 - Required disclosures should include forward-looking analysis to the extent applicable, drawing on precedent disclosures such as for MD&A
- In her 11/5 PLI keynote, SEC Commissioner Allison Herren Lee noted the need for standardized disclosures related to climate change to “protect investors, facilitate capital formation, and maintain fair, orderly and efficient markets”
 - Financial companies may potentially face requirements to disclose climate change-related risks associated with their financing of fossil fuel companies
 - Mapping of climate and ESG risks to existing GAAP standards is also a potential consideration

EU Taxonomy

- The EU Taxonomy has been established to provide companies, financial institutions and investors with a common language to identify to what degree economic activities can be considered “environmentally sustainable” as part of the EU’s broader Green Deal and aims to encourage increased capital flows towards sustainable objectives
 - It focuses on performance thresholds for six key environmental objectives² with sustainable economic activity required to substantially contribute to at least one of these without harming any others
 - The regulation applies to asset managers with a financial product that either has environmental sustainability as its objective or promotes environmental aspects; EU member states; and certain large companies, but it will also have follow on demands for other financial market participants and other issuers seeking to attract sustainability focused capital and is expected to drive broader market expectations of disclosure
- Disclosure requirements relating to the climate change mitigation and adaptation objectives will be in application from January 1, 2022, and the requirements for all other environment-related objectives from January 1, 2023
 - Social and governance objectives are expected to be proposed as additions to the existing framework in the coming year

Source: Press reports, public filings and EU Commission.

- 1 Under the new rules, an investor must own at least \$25,000 worth of stock for one year to be able to propose a resolution, or \$15,000 for two years, or \$2,000 for three or more years (prior, the rules required ownership of at least \$2,000 for a year or more). For resubmission, a proposal must secure at least 5% support in the first year, and then 15% and 25% in subsequent years, up from 3%, 6% and 10%.
- 2 Climate change mitigation; climate change adaptation; sustainable use and protection of water and marine resources; transition to a circular economy; pollution prevention and control; and protection and restoration of biodiversity and ecosystems.

Intersection of ESG and Shareholder Activism

The rise in the launch of ESG-related funds and campaigns focused on sustainability issues enables activists to improve perceived ESG weaknesses in businesses but also bolster fundraising by branding themselves as forward-thinking and socially conscious

- This trend is likely to continue as more limited partners intensify their focus on allocating capital in a way that betters society

Selected Recently Launched Funds



- Launched in late 2020 by three hedge fund industry veterans including former Jana Partners Portfolio Manager Charles Penner, Engine No. 1 is an **ESG-focused fund** founded on the belief that a “**company’s performance is greatly enhanced by the investments it makes in workers, communities, and the environment**”



INCLUSIVE CAPITAL PARTNERS

- Launched in June 2020 by ValueAct founder Jeffrey Ubben, Inclusive Capital Partners is an **ESG-focused fund** with a “passion for **positively leveraging capitalism and governance in pursuit of a healthy planet and the health of its inhabitants**”
- Inclusive will focus on investing in companies across industries generally avoided by most impact / sustainability investors



- Launched in 2018 by Lauren Taylor Wolfe and Christian Alejandro Asmar, Impactive Capital is an **ESG-focused fund** with a focus on driving “**positive systemic change to help build more competitive, sustainable businesses for the long run**”

Selected Recent ESG-Focused Initiatives



BLUEBELL CAPITAL PARTNERS

- In December, it was reported that Bluebell Capital had sent a letter to Solvay’s Board of Directors demanding that the Company initiate a review of its ESG practices and stop the discharge of waste from its Tuscany plant into the sea



- In December, Engine No. 1 announced its intent to nominate four Directors and called for the Company to impose more discipline on its capital allocation, implement a plan for sustainable value creation and overhaul its management compensation
- CalSTRS stated its support for Engine No. 1’s nominees, stating that they would provide the Board with the skills and experience needed to better prepare for the global energy transition



- In December, Inclusive Capital filed a 13D stating that it has had and anticipates having further discussions with Strategic Education regarding “environmental and social matters related to the issuer’s business and stakeholders,” among other topics



- In November, TCI made shareholder proposals at Canadian National Railway and Canadian Pacific Railway to present climate action plans at their 2021 AGMs



- In February, Canyon Capital filed a 13D and published a letter to the Board, calling for the Company to be more vocal with respect to ESG issues in order to combat environmental misconceptions regarding plastic

New Developments in Activism

The activism environment continues to evolve as private equity firms adopt more aggressive public postures and activist hedge funds take advantage of SPACs as a new source of capital

- “Spac-tivism” did not take place in 2020 but may emerge in 2021

<p>Private Equity Increasing Activity in Public Markets</p>		<ul style="list-style-type: none"> • 2020 has seen notable instances of private equity firms increasing their actions in public markets <ul style="list-style-type: none"> - KKR filed a 13D at Dave & Busters in January, later receiving Board representation - Cerberus publicly called for changes at Commerzbank, including Board representation for itself - Oaktree has disclosed two public, active investments in 2020 - Cannae partnered with Senator Investment Group in an attempt to acquire CoreLogic, and the duo ultimately won three Board seats - New Mountain publicly called for changes at Virtusa and was given a seat on the Board • These public, activist tactics are joined by firms with established public equity strategies such as TPG and Ares
<p>Activists Pursuing New Pools of Capital</p>		<ul style="list-style-type: none"> • In May, Hudson Executive Capital registered a SPAC to acquire a company in the financial technology space <ul style="list-style-type: none"> - Though the initial SPAC has not yet announced an acquisition, the fund filed to raise a second SPAC in January 2021 • In July, Pershing Square upsized its original SPAC filing and raised \$4 bn in the IPO <ul style="list-style-type: none"> - The activist said it was targeting a “mature unicorn” valued at more than \$1bn to take public or other established private companies • In September, Starboard raised a \$360 million SPAC in an upsized filing and plans to target a company in the technology, healthcare, consumer, industrials, hospitality or entertainment sectors • In September, Corvex raised a \$385 million SPAC which was created to target companies that focus on life sciences tools, synthetic biology and diagnostic fields

“Today’s crossover activist-PE investors combine the value-enhancing plan element of traditional activists with the buyout capital characteristic of private equity firms.”

- Bruce Goldfarb (Forbes), September 2020

“[W]e believe that our ability to finalize the principal terms of a transaction with a merger partner prior to their public disclosure will make us a more attractive alternative to a traditional public offering for a substantial number of large capitalization, high-quality growth companies, particularly in the current highly volatile environment.”

- Pershing Square SPAC Prospectus, June 2020


“[W]e will seek to acquire established businesses that we believe are fundamentally sound but potentially in need of financial, operational, strategic, or managerial transformation to maximize value for stockholders.”

- Starboard SPAC Prospectus, September 2020

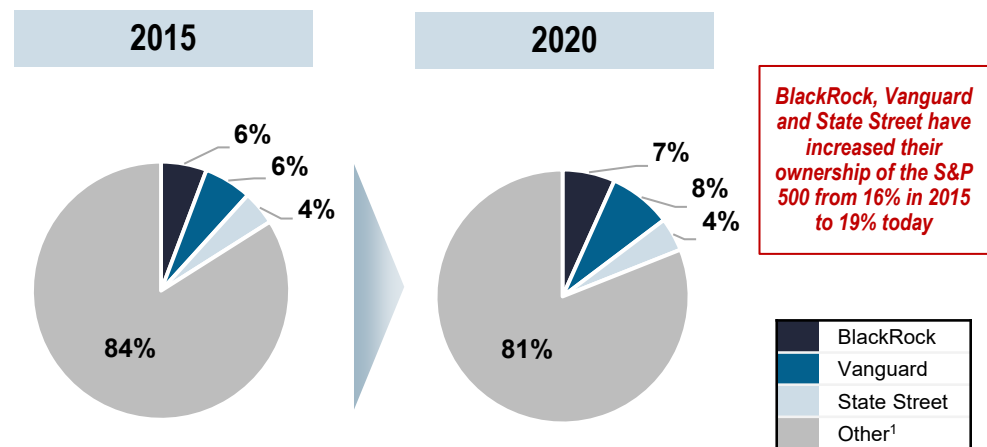
Continued Consolidation in Asset Management

In 2020, consolidation in the asset management industry continued at a brisk pace as asset managers recognized the ability to scale quickly via inorganic growth opportunities


Key 2020 Transactions in Asset Management

Announcement Date	Target	Acquirer	Deal Size (\$bn)
12/2020	 WADDELL & REED Financial Advisors	 MACQUARIE	\$1.7
10/2020	 Eaton Vance	Morgan Stanley	7.0
2/2020	 LEGG MASON GLOBAL ASSET MANAGEMENT	 FRANKLIN TEMPLETON INVESTMENTS	4.5



Increasing “Big 3” Ownership of the S&P 500



Activist Driven Consolidation



Invesco

Janus Henderson
GROUP PLC

- Trian announced 9.9% positions in both companies in October, and Barron’s reported that Trian is pushing for a merger
- Situation is ongoing

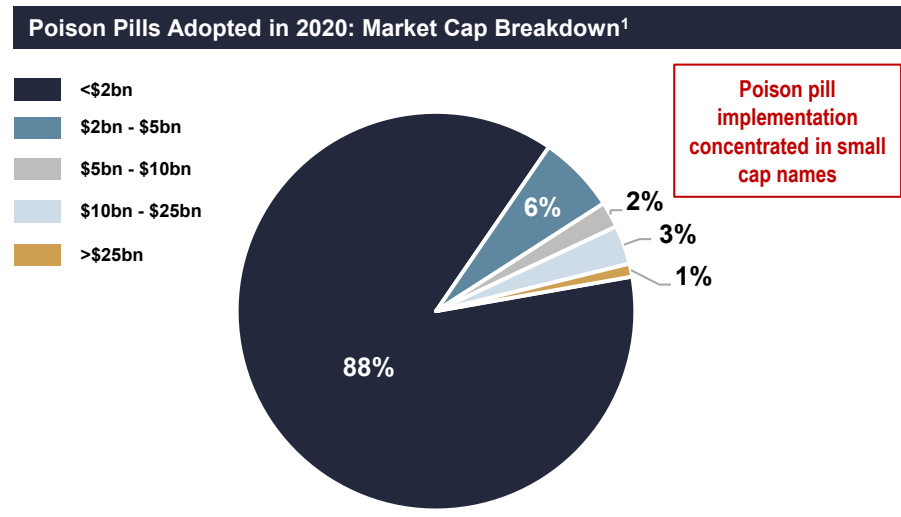
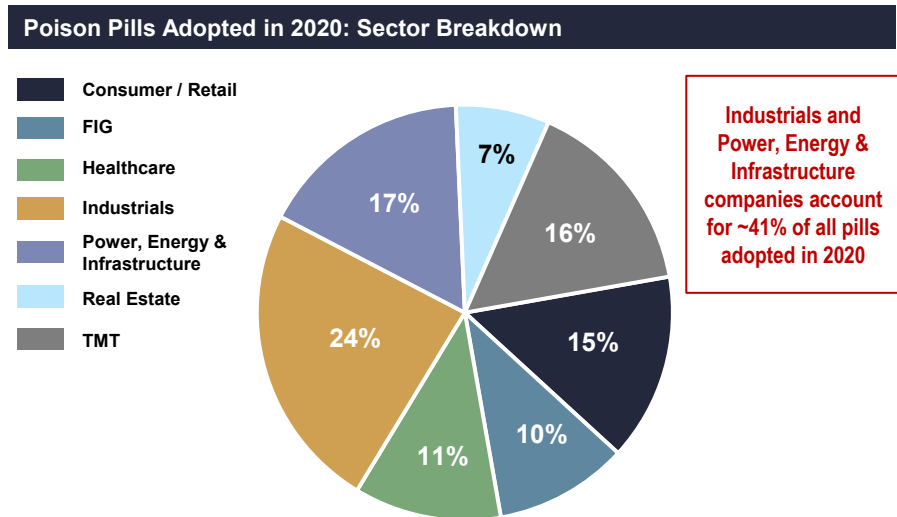
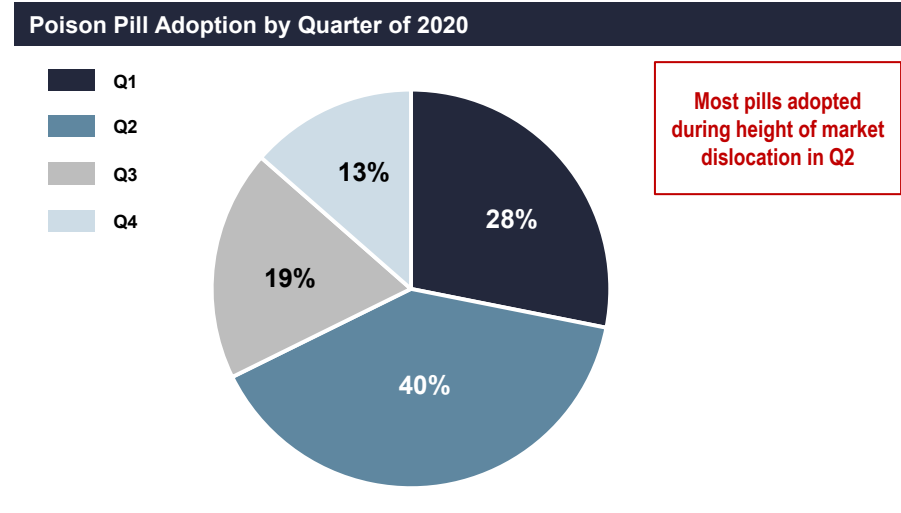
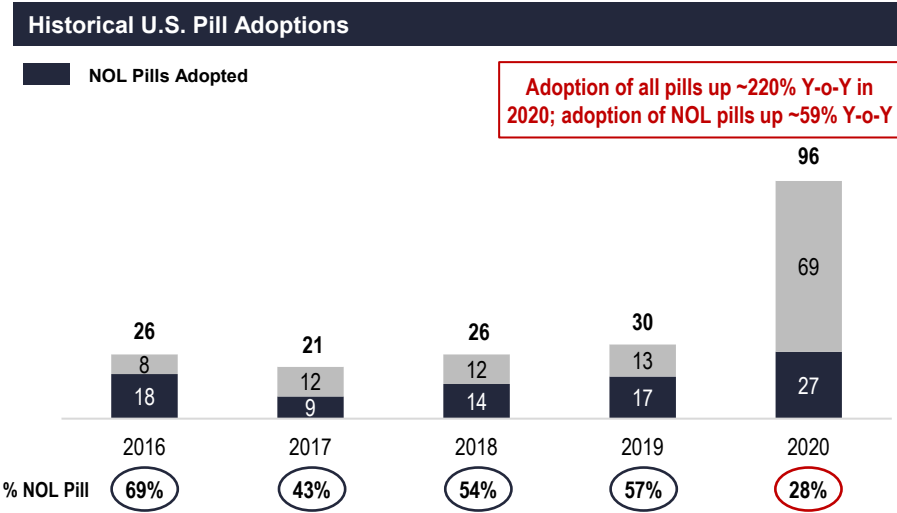
Increased Scrutiny of Ownership Concentration

“The outsized footprint of a few large financial companies poses new issues for the governance of corporate America, the competitiveness of our economy, the concentration of political power, and the stability of financial markets.”
- Graham Steele (American Economic Liberties Project), November 2020

“The current level of economic concentration facilitates neither fair rents to minority shareholders, nor the respect of consumer rights affected by oligopolies, nor overall citizen welfare affected by aggressive corporate tax planning.”
- Alissa Kole (Harvard Law School Forum on Corporate Governance), February 2020

Resurgence of Poison Pills

Poison pills staged a return in 2020 amid severe market dislocation, with the number of pills implemented significantly exceeding prior year figures



Key Questions for Activism in 2021 and Beyond

