

LAZARD'S SHAREHOLDER ADVISORY GROUP

Review of Shareholder Activism – Q3 2020

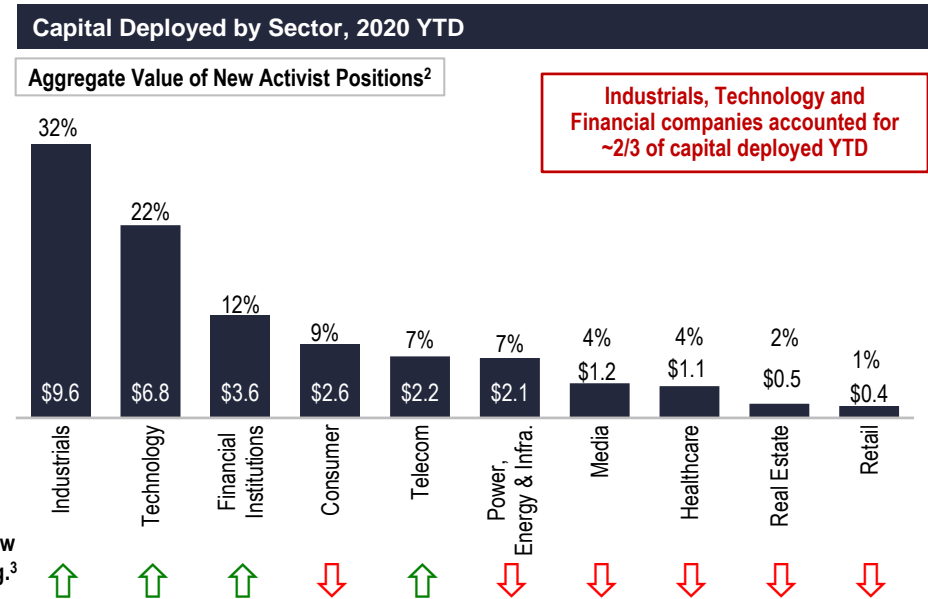
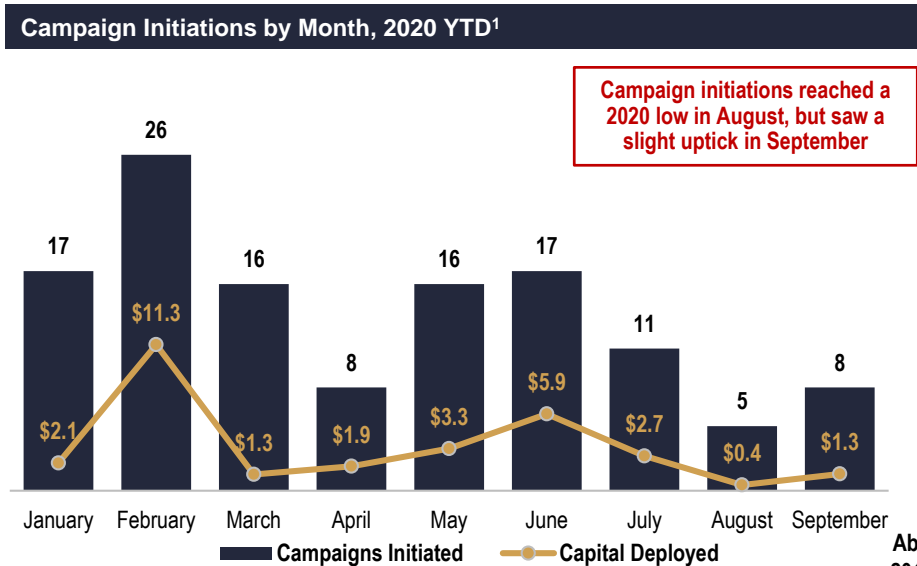
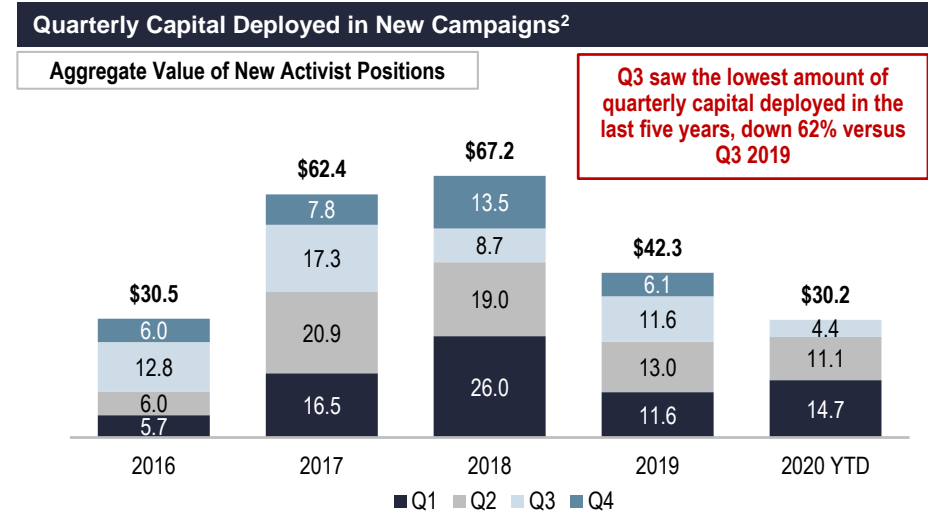
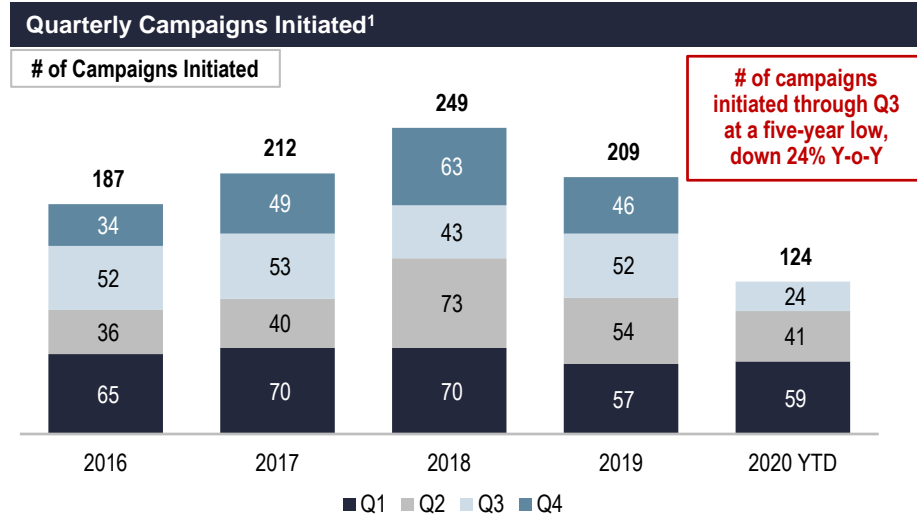
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Observations on the Global Activism Environment in Q3 2020

| | |
|--|--|
| <p>1 Activist Activity Remains Muted</p> | <ul style="list-style-type: none"> • Q3 2020 represented the lowest level of quarterly activist activity since 2013 <ul style="list-style-type: none"> – 24 campaigns were launched globally in Q3 2020, down 41% from Q2 2020 and 54% lower than Q3 2019 levels • Q3 capital deployed dropped to seven-year lows (~\$4.4bn), down over 60% sequentially and Y-o-Y • 124 campaigns have been launched globally YTD, down 24% versus the prior year period |
| <p>2 Slowdown Is Global and Acute for Large-Cap Targets</p> | <ul style="list-style-type: none"> • Q3 U.S. campaigns were down 41% from Q2 and 64% versus Q3 2019; capital deployed decreased 39% from Q2 and 65% compared to Q3 2019 • Q3 European campaigns were consistent with Q2 but down 62% compared to Q3 2019; capital deployed increased by 2% from Q2, but decreased 63% versus Q3 2019 <ul style="list-style-type: none"> – Only eight campaigns in both Q2 and Q3, a fraction of the pre-COVID rate of Q1 (20 campaigns) • 2020 YTD global campaigns against \$10bn+ market cap companies decreased 17% Y-o-Y |
| <p>3 Board Seats in Line with Historical Averages</p> | <ul style="list-style-type: none"> • Despite fewer campaigns in 2020 YTD, activists are winning just as many Board seats as in prior years <ul style="list-style-type: none"> – 100 Board seats won by activists this year, up slightly Y-o-Y – Only 35 of the Board seats are from campaigns initiated in 2020 • Starboard and Elliott continue to be the most successful activists in terms of seats won, together accounting for over a third of Board seats won YTD |
| <p>4 Return of M&A Thesis amid Banner Quarter for Dealmakers</p> | <ul style="list-style-type: none"> • 50% of Q3 campaigns featured an M&A objective, recovering from ~34% in H1 2020 and consistent with 2019 <ul style="list-style-type: none"> – The return of M&A as an objective coincided with a resurgence of M&A in Q3 2020 after a quiet first half of the year • Activist demands in 2020 YTD around strategy/operations (19%), governance (14%) and management change (7%) remain above multi-year averages |
| <p>5 New Developments in Activism</p> | <ul style="list-style-type: none"> • Private equity firms continue to use “activist-like” tactics at public companies, including New Mountain publishing a white paper on Virtusa and Senator partnering with Cannae to force M&A at CoreLogic • Traditional activists continued to embrace the market’s strong appetite for SPACs; with Starboard Value’s SPAC raising \$360mm after Pershing Square raised \$4.0bn, a record for a SPAC • Proposed changes to the HSR rules would effectively exempt activists from notification under this regulation and proposed modification to 13F reporting thresholds would eliminate holdings disclosure for small- and mid-cap activists |
| <p>6 ESG Updates</p> | <ul style="list-style-type: none"> • Amid increasing national dialogue regarding social justice, the NYC Comptroller pushed companies to publish data on their workforce’s diversity, and California passed a bill that would require companies based in the state to have underrepresented communities on their Boards • The push for enhanced ESG disclosures continued, with the “Big 4” accounting firms and others releasing new guidelines and metrics on measuring sustainability issues |

Global Campaign Activity and Capital Deployed

(\$ in billions)



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.

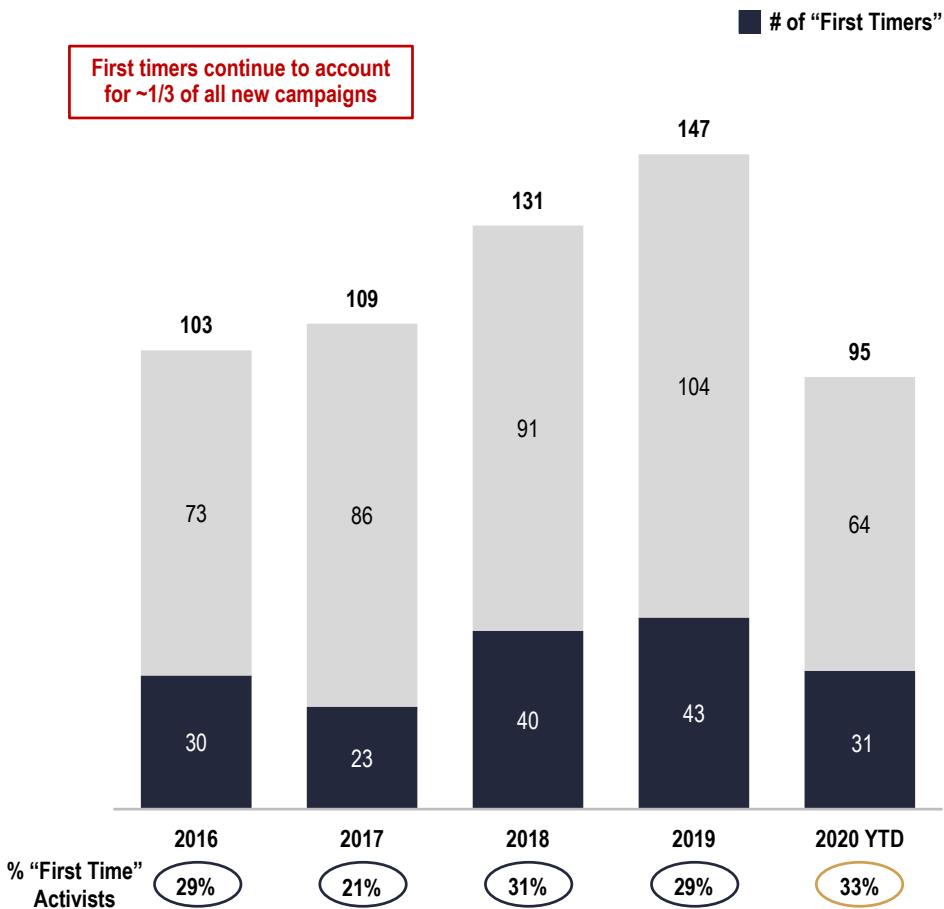
2 Calculated as of campaign announcement date.

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

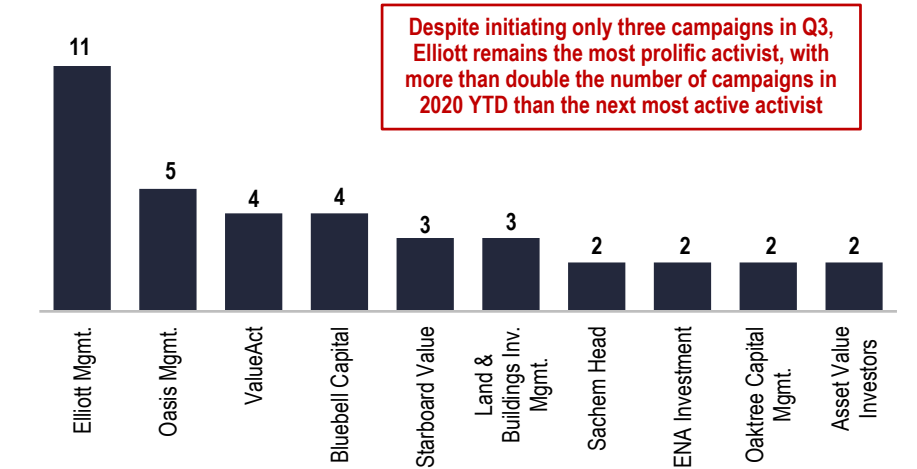
Global Activist Activity in 2020 YTD

Although Elliott remains the most prolific in terms of activity and capital deployed, first time and non U.S.-based activists have continued to represent a high proportion of new activity

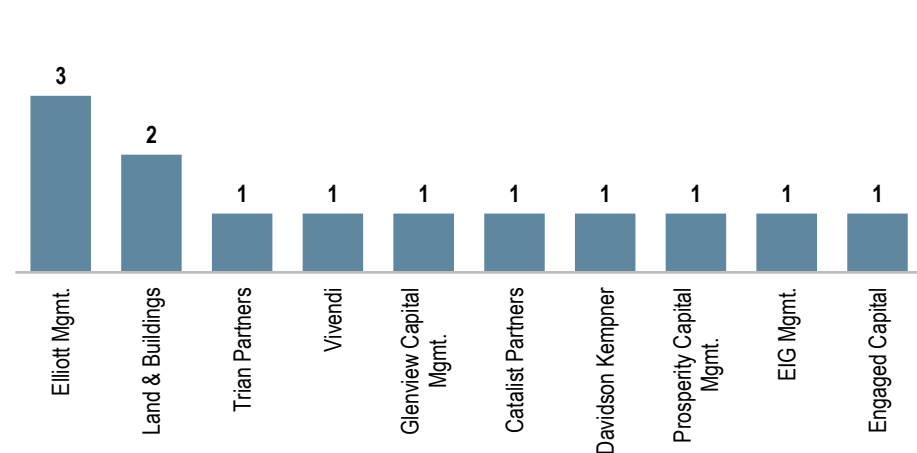
Investors Launching Activist Campaigns



Activist Activity by Campaigns Launched, 2020 YTD¹



Activist Activity by Campaigns Launched, Q3 2020¹



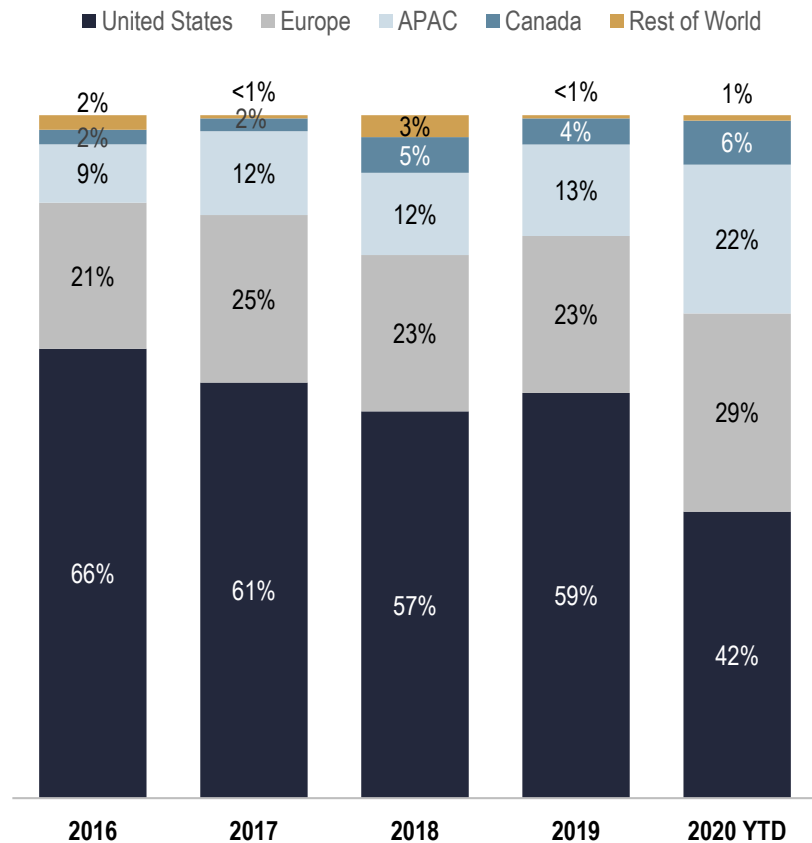
U.S. Share of Global Campaign Activity Remains Historically Low in 2020

(\$ in billions)

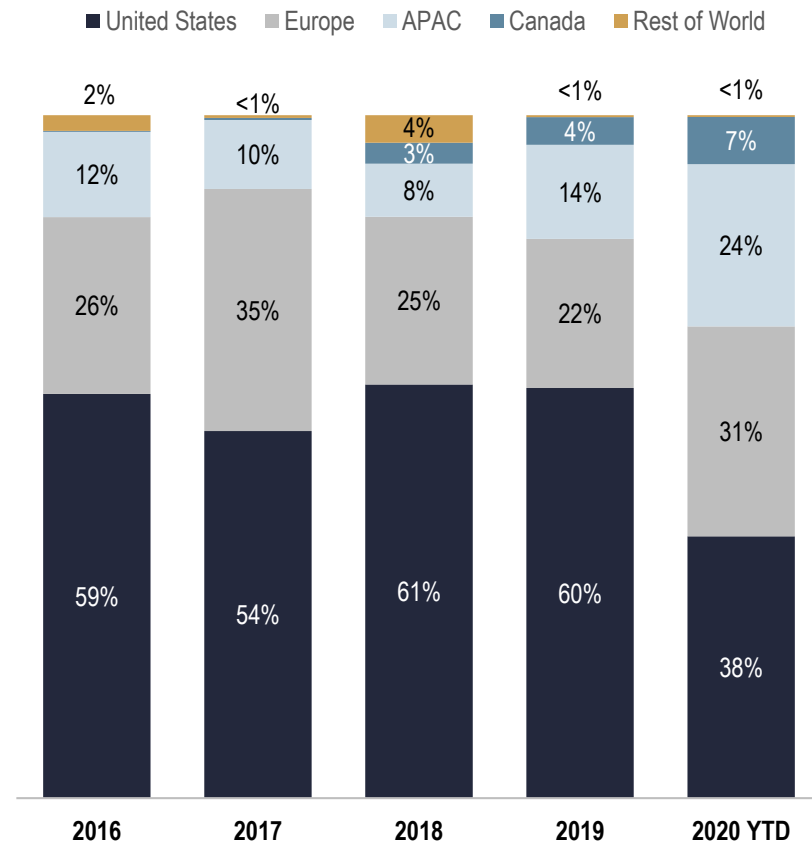
The number of U.S. activist campaigns and amount of capital deployed both represent multi-year lows as a proportion of global activity

- The geographic distribution of campaigns in Q3 was generally consistent with that of 2020 YTD

Campaigns Initiated

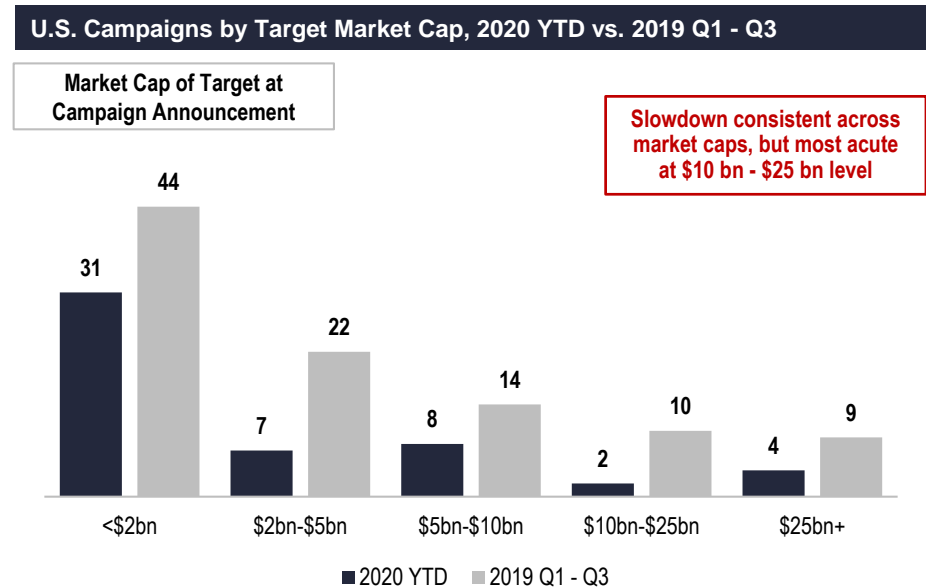
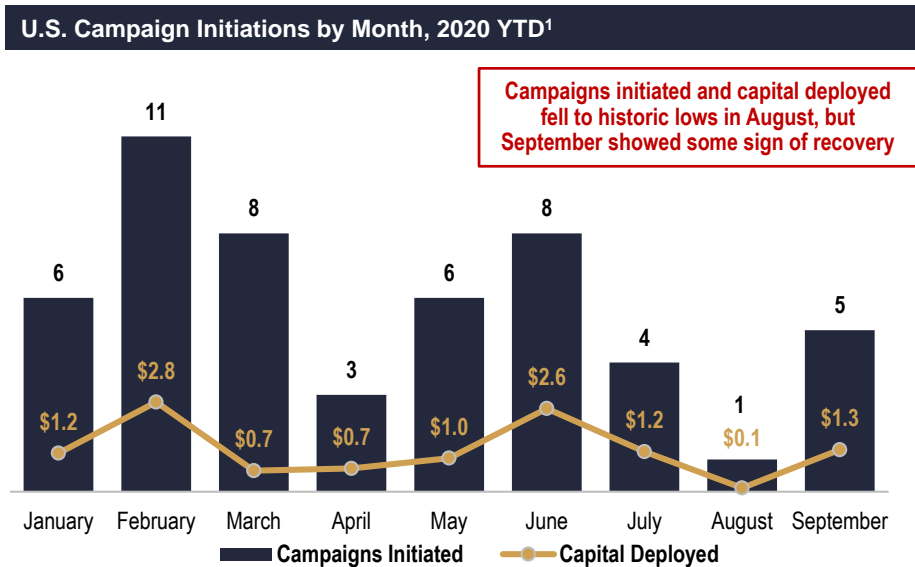
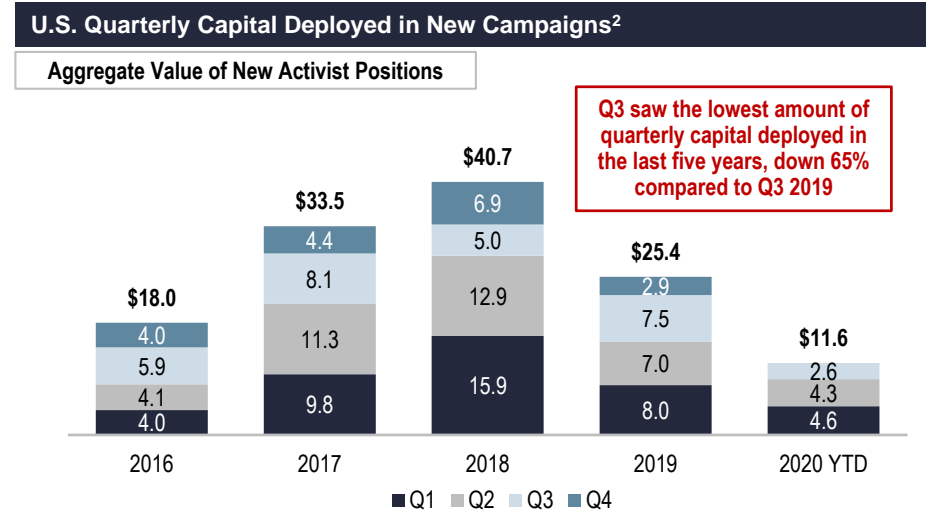
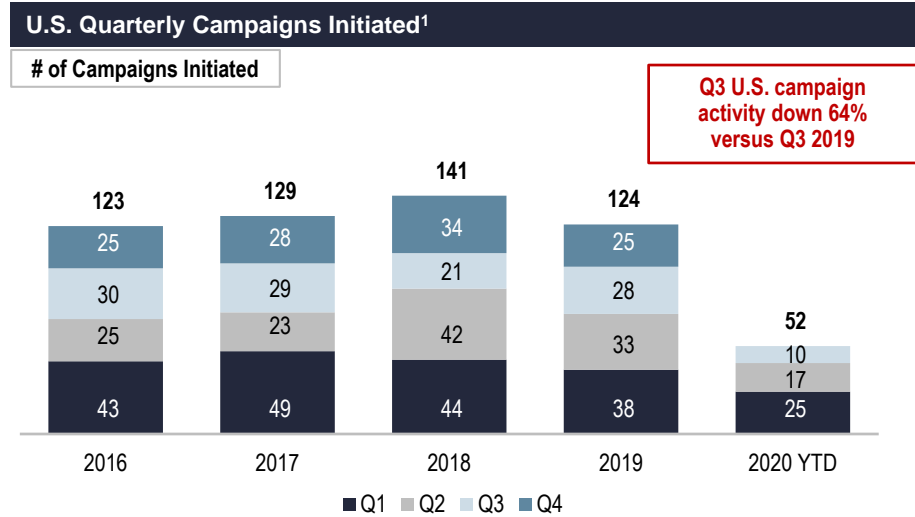


Capital Deployed¹



U.S.: Campaign Activity and Capital Deployed

(\$ in billions)



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.

U.S.: Notable Q3 2020 Public Campaign Launches and Developments



(\$ in billions)

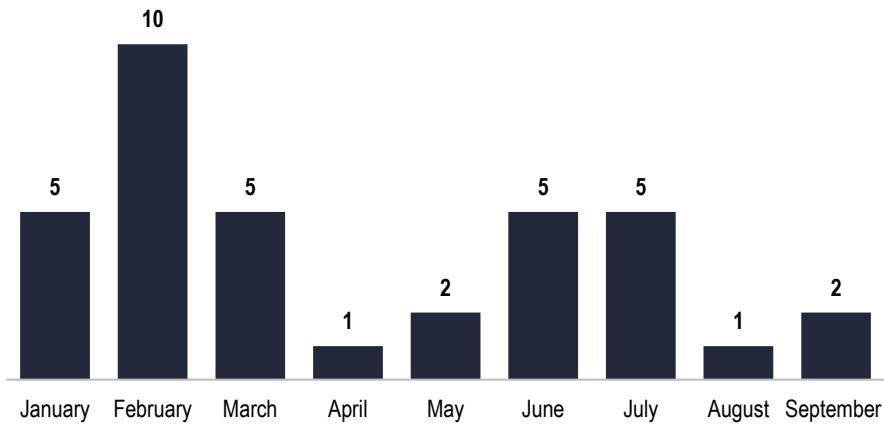
| Launch Date | Company / Market Cap | Activist | Highlights | Launch Date | Company / Market Cap | Activist | Highlights |
|-------------|--|---|---|-------------|--|--|--|
| 10/20 |  \$5.4  \$4.6 |  | <ul style="list-style-type: none"> Post 9/30 update: Trian filed 13Ds at both Invesco and Janus Henderson and is reportedly calling for a merger between the two investment managers | 7/20 |  \$72.6 ¹ |   | <ul style="list-style-type: none"> In July, Elliott called for Crown Castle to focus on its legacy business and to 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 published a letter to the Board calling for a strategic review of the Company's fiber business |
| 9/20 |  \$203.7 |  | <ul style="list-style-type: none"> Trian disclosed an \$870mm position in Comcast in a delayed 13F filing; Trian reportedly had been holding private talks with Comcast | 6/20 |  \$5.4 |   | <ul style="list-style-type: none"> In July, CoreLogic rejected Senator and Cannae's initial \$7bn offer for the Company; Senator and Cannae called for a special meeting, which is scheduled for November In July, Senator and Cannae nominated nine Director nominees to the Board Senator and Cannae increased their offer for CoreLogic, which the Company rejected |
| 9/20 |  \$4.6 |  | <ul style="list-style-type: none"> In September, Elliott disclosed an unreported stake in Noble through a filing with the FTC and reportedly was seeking to scuttle its planned sale to Chevron ISS and Glass Lewis both recommended shareholders vote to approve the sale Post 9/30 update: In October 2020, Noble shareholders voted to approve the sale | 1/20 |  \$15.7 |  | <ul style="list-style-type: none"> After a failed 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; the plan included \$4.8bn in upgrades to its transmission and distribution infrastructure |
| 8/20 |  \$1.2 |  | <ul style="list-style-type: none"> In August, Engaged Capital disclosed a 10% stake in Evolent Health and indicated it intended to meet with management to discuss "improving capital allocation, divesting non-core assets and / or exploring a sale of the entire company" | 12/19 |  \$2.3 |  | <ul style="list-style-type: none"> In July, Mednax and Starboard settled for five Board seats, including the appointment of a new Chairman; a new CEO was also appointed In September, Mednax announced the sale of its radiology division to Radiology Partners |

Europe: Campaign Activity

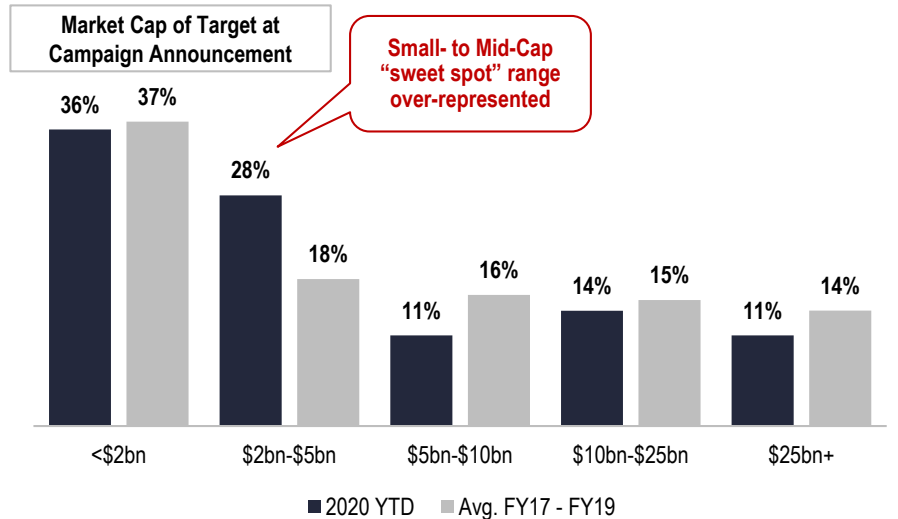
(\$ in billions)



European Campaign Initiations by Month, 2020 YTD



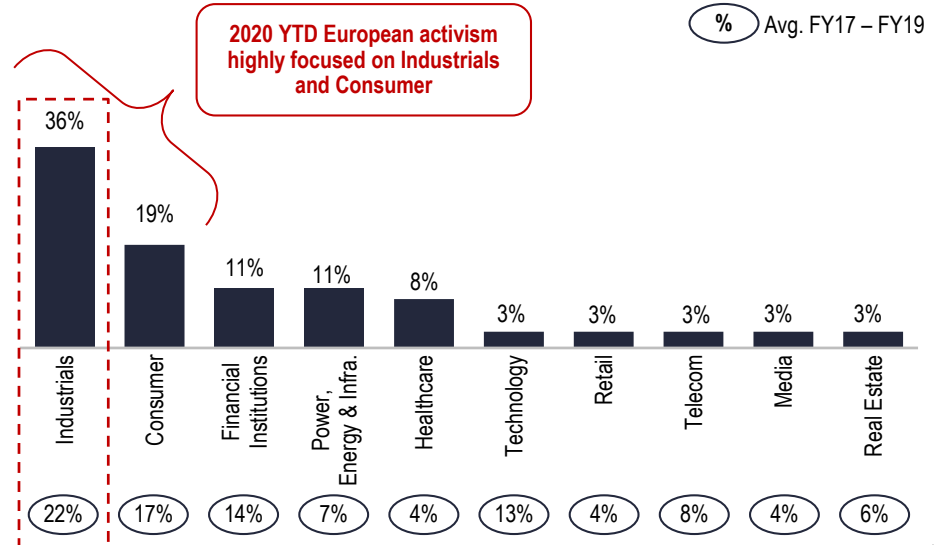
European Campaigns by Target Market Cap



Observations on the European Activism Environment in Q3

- Q3 reflected the full impact of the COVID crisis leading to a dramatic reduction in new campaigns despite false indications of a rebound in June and July
- In 2020 YTD, campaigns targeted smaller companies, with 64% of targets having market caps below \$5bn
- 2020 activists held larger positions (as % of ownership) compared to prior years
 - 28% of agitators owned more than 10% stakes (vs. 13% for FY17 – FY19 average)
- Targeted companies were significantly concentrated in Industrials and Consumer

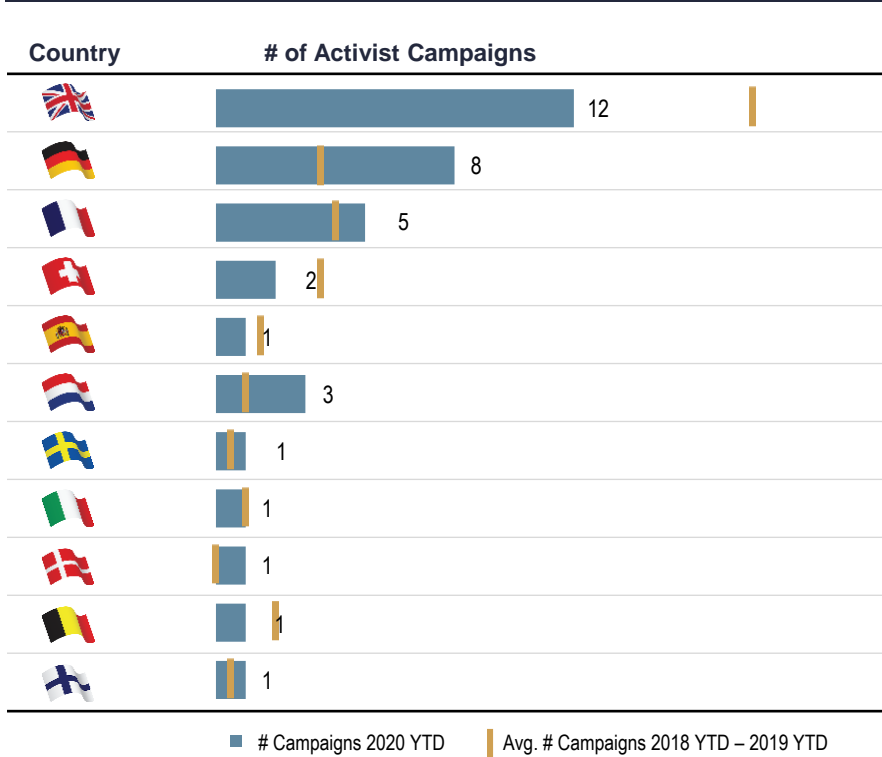
Campaigns by Sector (in %), 2020 YTD



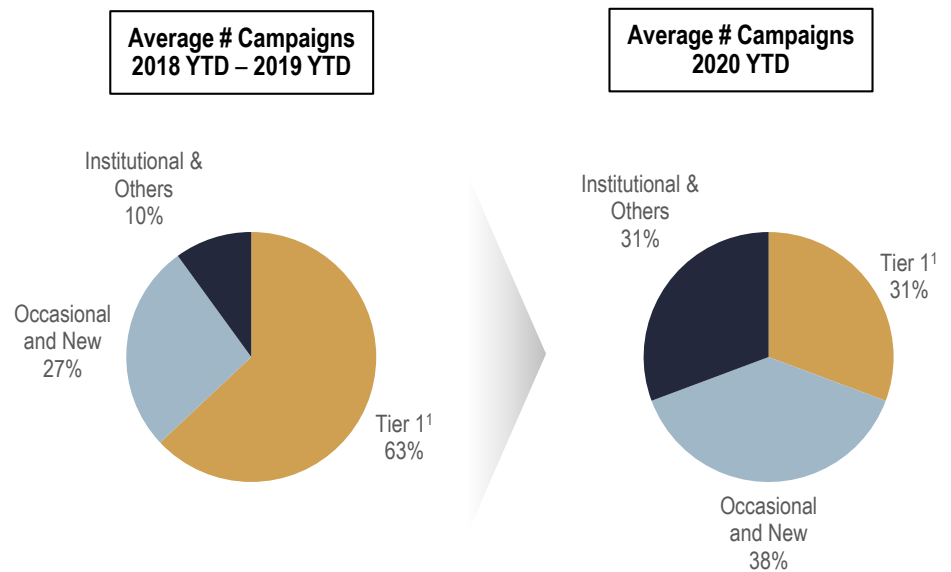
Europe: Distribution of Activism Flattening – Both “Where” and “Who”



Campaigns by Geography



Campaigns by Activist Category



| | 2018 YTD | 2019 YTD | 2020 YTD |
|--------------------------|----------|----------|----------|
| # Campaigns per Activist | 1.4 | 1.4 | 1.2 |

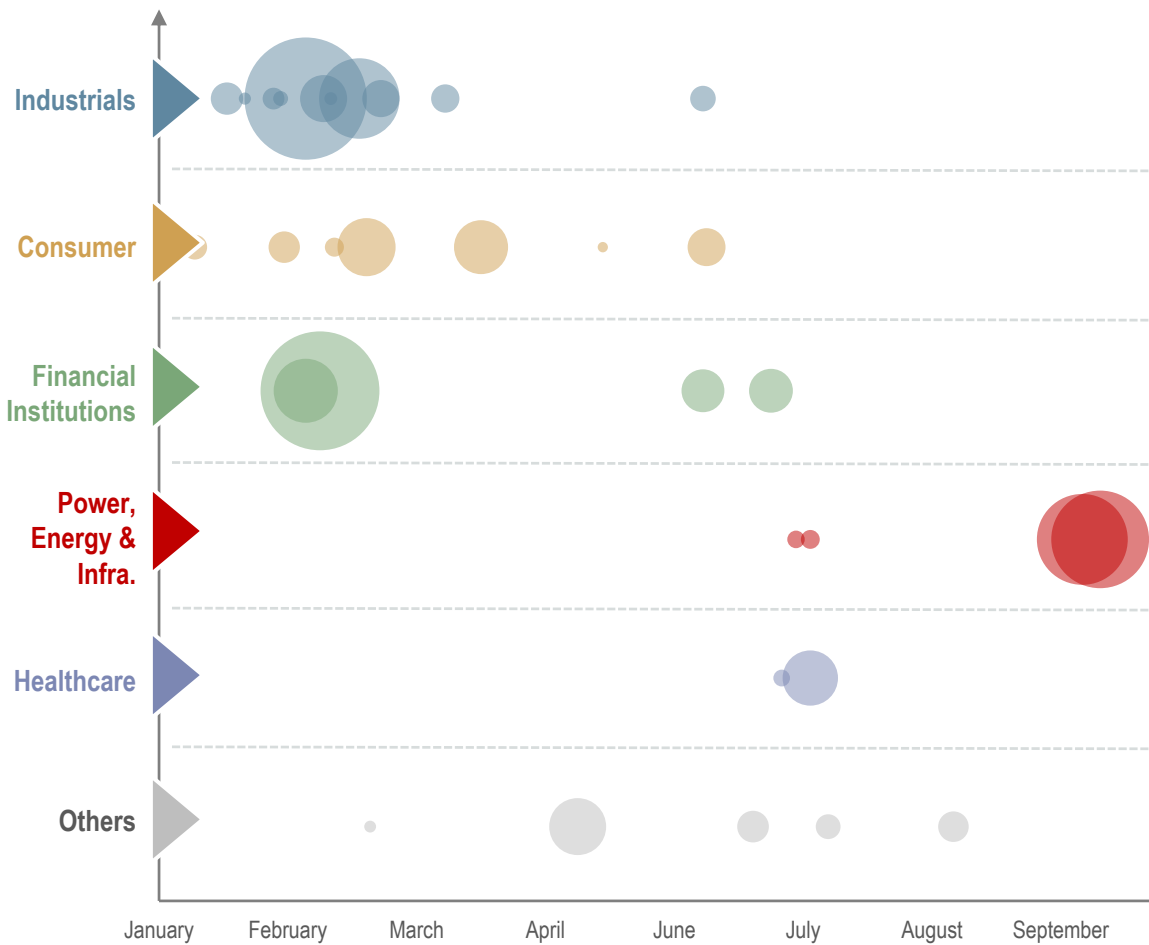
- **In 2020 YTD, activists targeted a more regionally distributed set of companies than usual**
 - While 18 U.K. companies were targeted on average for 2018 YTD - 2019 YTD, there were only 12 U.K. targets in 2020
 - Campaigns have been more balanced among large equity markets including Germany and France
 - Germany has seen more activism this year than in any prior period, although new campaign activity has slowed slightly in Q3

- **Institutional shareholders and occasional activists are becoming more vocal and increasingly demonstrating activist behavior**
 - Tier 1¹ activists no longer account for the majority of campaigns
 - Campaigns led by institutional shareholders significantly increased in 2020 YTD compared to 2018 – 2019 levels
- **The number of campaigns per activist has decreased in 2020 YTD as a result of the increased presence of occasional and new activists**

Europe: Sector Dispersion in 2020 YTD



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



- **Pre-COVID activism was highly focused on Industrials, Consumer and Financial sectors**
 - These sectors are traditional centers of activism, but...
 - ...they were the most impacted by the COVID crisis
- **As the crisis evolved, campaigns became more diversified and activists generally targeted smaller companies**
 - Excluding the Suez and Engie campaigns, most companies targeted by activists post-COVID were below \$5bn of market capitalization
 - While pre-COVID campaigns continued, Industrials, Consumer and Financial sectors were devoid of new campaigns in third quarter

Europe: Notable Q3 2020 Public Campaign Launches and Developments

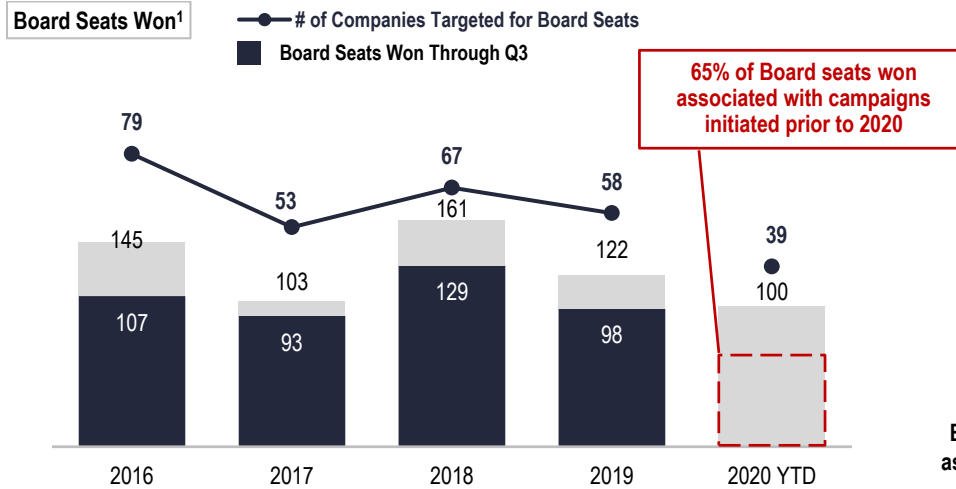


| Launch Date | Company / Market Cap | Activist | Highlights | Launch Date | Company / Market Cap | Activist | Highlights |
|-------------|----------------------|----------|---|-------------|----------------------|----------|---|
| 9/20 | \$32.2 | | <ul style="list-style-type: none"> In September, Amber sent a letter to the Board of Engie calling on the Company to sell its ~30% stake in Suez to Veolia, stating the sale would free up capital to refocus Engie on renewables and infrastructure The letter illustrated how Engie shareholders might react if the Board were to decline the offer <i>Post 9/30 update:</i> In October 2020, Engie agreed to sell its stake in Suez to Veolia, despite the opposition of Suez's Board | 6/20 | \$6.5 | | <ul style="list-style-type: none"> In July, Unipol (2% shareholder in Mediobanca) opposed Bluebell's request for a special dividend <i>Post 9/30 update:</i> In October, Bluebell nominated a four-Director slate for election to the Board |
| 9/20 | \$10.4 | | <ul style="list-style-type: none"> CIAM sent a letter to the Chairman of Suez criticizing the decision to adopt a "poison pill" without a shareholder vote in the wake of a rebuffed takeover offer from Veolia and threatening further action In September 2020, Amber urged Engie and Suez to sell to Veolia after the company upped its offer | 6/20 | \$4.9 | | <ul style="list-style-type: none"> In July, Cevian increased its stake from 5.4% to 8.5% In August, following an extensive search for a new CEO, Pearson named former Disney executive Andy Bird to the role – which was supported by Cevian |
| 7/20 | \$2.1 | | <ul style="list-style-type: none"> Vivendi joined Amber in pushing for Board representation; both investors sent a letter to Lagardere requesting 4 Board seats In September, Vivendi and Amber took Lagardere to court to convene the requested EGM after the Company had refused to appoint the nominees | 6/20 | \$2.2 | | <ul style="list-style-type: none"> In September, Sachem Head said it considered the \$3.7bn offer from GardaWorld to acquire G4S as undervaluing the Company and urged the Company to reject the offer <i>Post 9/30 update:</i> In October 2020, G4S rejected GardaWorld's offer, believing it significantly undervalued the business and its prospects |
| 7/20 | \$10.3 | | <ul style="list-style-type: none"> In July 2020, Davidson Kempner sent two letters to the Board stating that the €39 per share offer from Thermo Fisher undervalued the company and a fair price would be €50 As Thermo Fisher increased its offer to €43, the activist released a presentation to advocate against the deal In August 2020, Thermo Fisher failed to garner sufficient support, ending the deal | 5/20 | \$0.4 | | <ul style="list-style-type: none"> In September 2020, Cobas and Veraison won three Board seats through their proxy fight and successfully dismissed both Aryzta's CEO and Chairman from the Board |

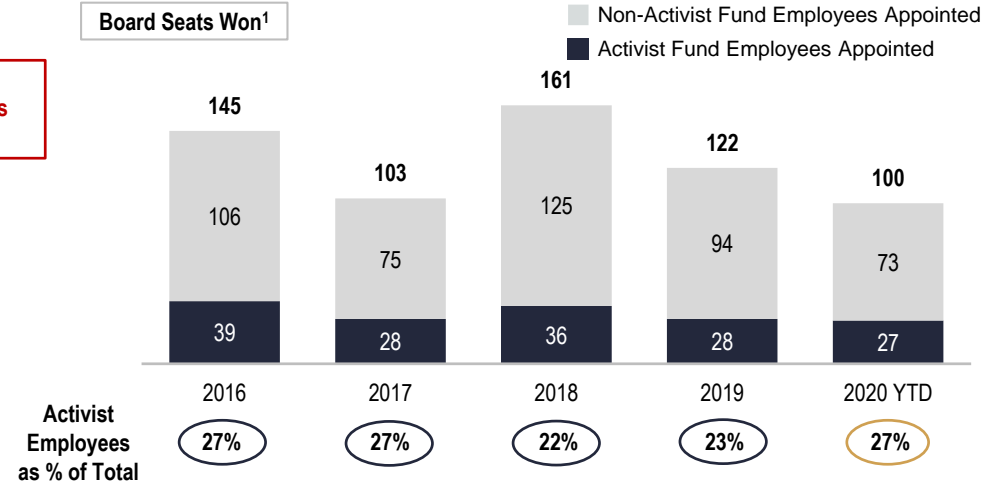
Q3 2020 Global Board Seats Won

Although 2020 has seen subdued activist activity, Board seats won by activists remain in line with historical averages

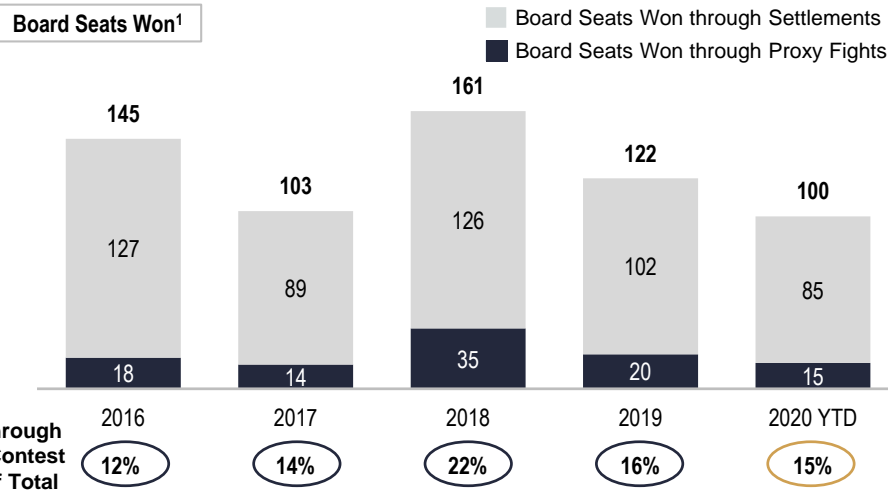
Board Seats Won¹



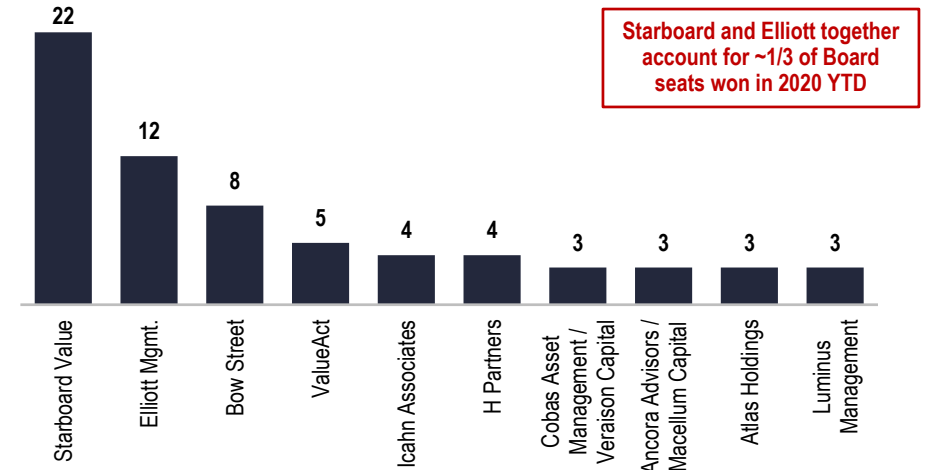
Non-Activist Employees vs. Activist Employees Appointed as Directors



Settlements vs. Proxy Contests

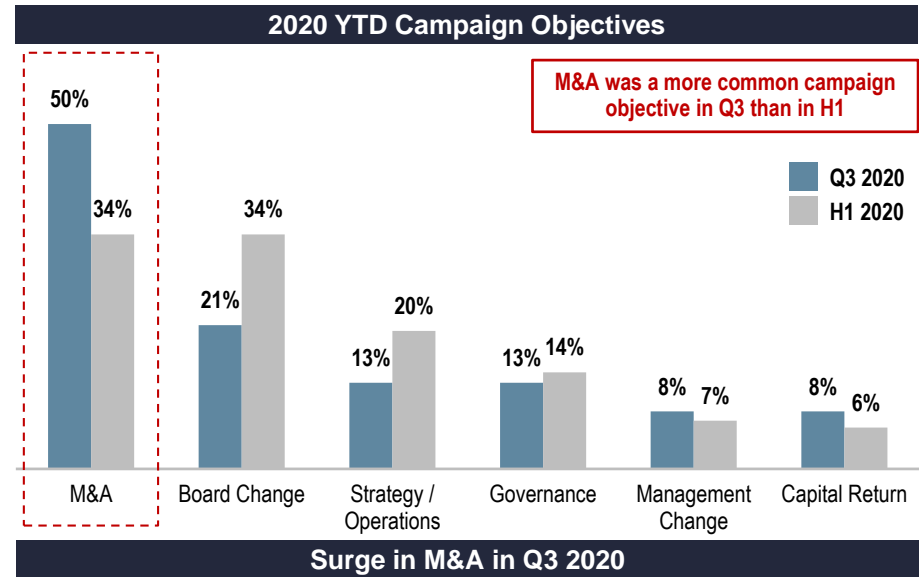
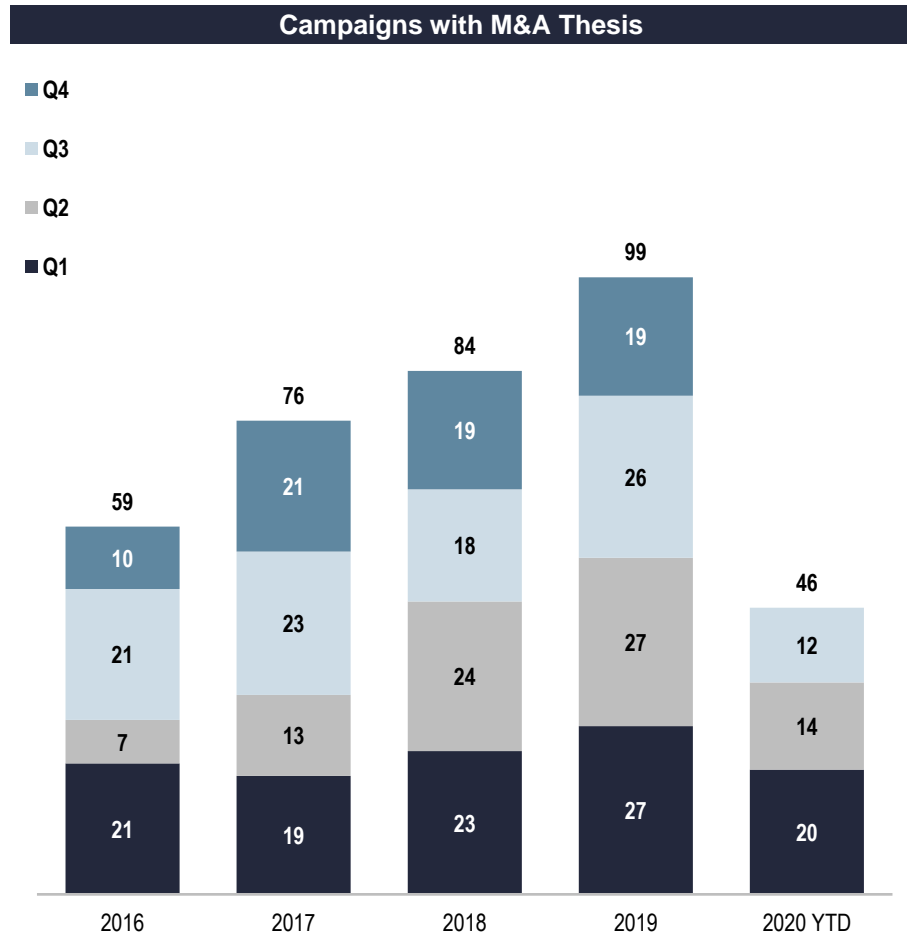


Board Seat Won by Activist, 2020 YTD



Activists Restoring M&A to Their Toolkit

As M&A activity experienced an uptick in Q3 2020, activists returned to having M&A as the most common objective of their campaigns (though the total number of campaigns remains relatively low)





“A resurgence in mergers and acquisitions activity led to the busiest summer for blockbuster deals in three decades.... The combined value of \$5bn-plus deals worldwide soared to \$456bn in the three months to September....”

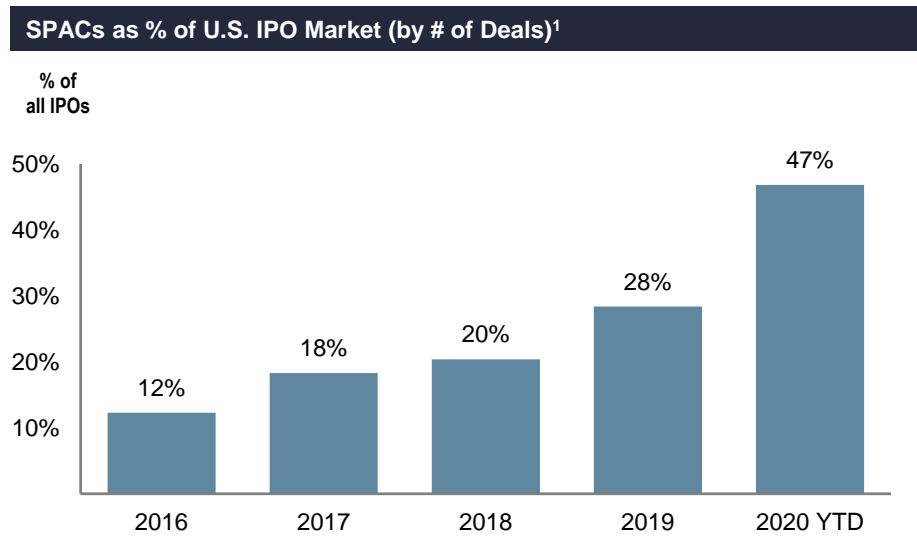
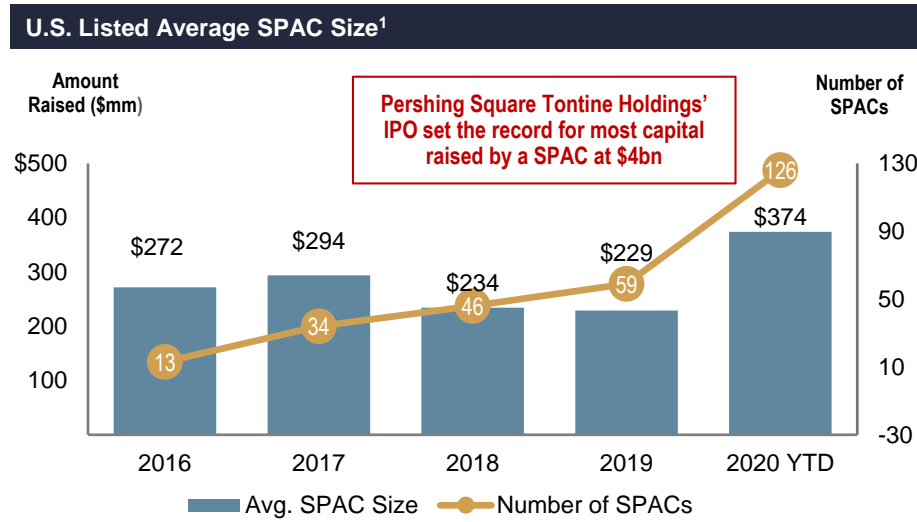
- Financial Times, “Dealmaking rebound drives busiest summer for M&A on record,” September 2020

New Developments in Activism


The activism environment continues to evolve as private equity firms are adopting more aggressive public postures; activist holdings may become less transparent as regulators seek to lessen reporting requirements

| | | |
|--|--|--|
| <p>Private Equity Investors Increasing Activity in Public Markets</p> |  | <ul style="list-style-type: none"> • Private equity firms continued their foray into public activism, utilizing increasingly aggressive tactics <ul style="list-style-type: none"> – In September, New Mountain published a white paper and launched a proxy fight for Board representation at Virtusa – In August, Cerberus continued its campaign at Commerzbank, reportedly sending a letter to the Board claiming it had “serious doubts” about the newly appointed Chairman – In September, Cannae, in conjunction with Senator Investment Group, launched a proxy fight for nine Board seats at CoreLogic following the rejection of a takeover bid – In September, Veritas reportedly partnered with Elliott, to launch a buyout offer for Cubic; Elliott privately disclosed a stake in Cubic, leading the Company to enact a poison pill in response |
| <p>Proposed Reduction in Disclosure Requirements</p> |  | <ul style="list-style-type: none"> • U.S. regulators proposed modifications to existing laws that would reduce visibility into activist holdings <ul style="list-style-type: none"> – In an effort to reduce the burden of the quarterly filing on smaller investment managers, the SEC proposed to increase the reporting threshold to file Form 13Fs from \$100mm to \$3.5bn <ul style="list-style-type: none"> • If approved, the SEC noted that the number of firms filing 13Fs would decline by 90%, which would include many activist hedge funds with assets below the threshold (e.g., JANA, Corvex, Land & Buildings) • The proposal has been criticized by a variety of stakeholders, including law firms (e.g., Wachtell), pension funds / investment managers (e.g., CalPERS, BNY Mellon) and S&P 500 companies (e.g., CVS, Marriott) – The FTC and DOJ proposed changes to the antitrust premerger notification rules of Hart-Scott Rodino (“HSR”) that would exempt activists from the existing \$94mm reporting threshold for acquisitions of up to 10% of a target company’s shares so long as the investor does not have certain competitively significant relationships with the company <ul style="list-style-type: none"> • The proposed rule would generally eliminate the early warning currently provided by the HSR filing requirements for investments below the 13D 5% threshold • Interestingly, these proposals come as many European jurisdictions are considering changes that would increase and enhance disclosure |

Embracing SPACs As a New Source of Capital







Notable Activist SPAC Activity in Q3 2020

| SPAC (Activist) | Highlights |
|---|---|
|  (Pershing Square) | <ul style="list-style-type: none"> Upsized its original filing and raised \$4bn during its IPO Intends to target “mature unicorns” |
|  (Starboard Value) | <ul style="list-style-type: none"> Went public in September with an upsized filing that raised \$360mm Will target a company in the technology, healthcare, consumer, industrials, hospitality or entertainment sectors |
|  (Third Point) | <ul style="list-style-type: none"> In August, shareholders voted to approve the \$2.6bn acquisition of Global Blue after the Board initially recommended shareholders vote against the deal and subsequent concessions from Global Blue owners |
| CM LIFE SCIENCES (Corvex) | <ul style="list-style-type: none"> Went public in September and raised \$385mm in its public offering Will concentrate on companies that focus on life sciences tools, synthetic biology and diagnostic fields |

Renewed Demands for Diversity and Inclusion at Public Companies

Throughout 2020, institutional investors have increased expectations for greater minority representation in public companies and Boards

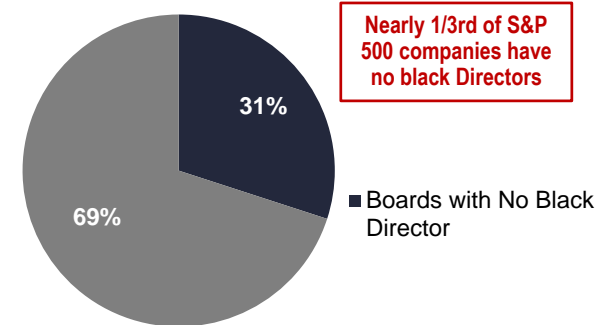
Thought-Leading Investors Promotion of Diversity and Inclusion

| Investor | Highlights |
|---|--|
|  BlackRock | <ul style="list-style-type: none"> Will hold nominating and governance committees accountable if there is a lack of progress in promoting diversity on the Board Appreciates disclosures that include a breakdown of workforce’s gender / other diversity characteristics and the promotion rates and compensation gaps across these groups Voted against management ~2% of the time concerning the election of Directors during the 2020 proxy season for insufficient diversity |
|  Vanguard | <ul style="list-style-type: none"> Believes Boards are best suited when composition includes diversity across gender, ethnicity, national origin and age Encourages companies to publish perspectives on diversity, disclose Board diversity measures, broaden the search for Director candidates and to make progress on Boardroom diversity |
|  STATE STREET | <ul style="list-style-type: none"> In August 2020, State Street announced that it expects companies to state their goals and strategy to promote racial and ethnic workforce diversity through public disclosures by 2021 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"> In July 2020, the NYC Comptroller’s office called on 67 S&P 100 companies that issued statements supportive of racial equality to publish data on their workforce’s race, ethnicity and gender <ul style="list-style-type: none"> In September, the NYC Comptroller announced 34 of these companies had committed to publishing the requested data |

Push to Add Underrepresented Communities to Boards

- In August 2020, California’s State Legislature passed a bill that would require public companies based in the state to have one Director from an underrepresented community by the end of 2021**
 - By 2022, companies would be required to have two or three such Directors, depending on the size of the Board
 - 12 other states legislatures reportedly are considering similar laws
- In September 2020, The Board Challenge was launched, which included founding partners Uber, United, Merck and Verizon**
 - Partners committed to adding at least once black Director in the next year or, if a black Director is already on the Board, accelerating further diversity efforts

Diversity on S&P 500 Boards¹



Joint Efforts around ESG Disclosure

Enhanced ESG disclosures received extensive attention in Q3 2020 with an initiative announced by the “Big 4,” a landmark collaboration between PRI and the WBCSD, and SASB and GRI collaborating on a new framework for ESG disclosures



- In September, the “Big 4” accounting firms announced a joint initiative, spearheaded by the International Business Council, to create a standardized, industry-agnostic ESG reporting framework

- The framework comprises four main pillars, including core and expanded metrics for each (core metrics included below):

- I. Governance: Governance Purpose, Quality of Governing Body, Stakeholder Engagement, Ethical Behavior, Risk and Opportunity Oversight
- II. People: Dignity and Equality, Health and Well-Being, Skills for the Future
- III. Planet: Climate Change, Nature Loss, Freshwater Availability
- IV. Prosperity: Employment and Wealth Generation, Innovation of Better Products and Services, Community and Social Vitality

- In August, the Principles for Responsible Investment (PRI) and the World Business Council for Sustainable Development (WBCSD) announced a collaboration to facilitate conversations between investors and businesses about what sustainability information is applicable and most relevant

- The collaboration will complement existing regulatory and standard-setter work towards a globally harmonized system for ESG disclosures

- Areas of focus will include how sustainability information is used in the investor-corporate relationship; how businesses and investors can align incentives, evaluation, valuation and decision-making related to sustainability; and analyzing the support needed for institutional arrangements to deliver the necessary sustainability information

- In 2020, for the first time, PRI delisted signatories for failing to adhere to the minimum disclosure requirement set in 2018

- In July, the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI) released a collaborative workplan in an attempt to simplify sustainability disclosures and demonstrate how each organizations framework can be used concurrently

- Current SASB guidelines focus on sustainability-related risks and opportunities that have the greatest material impact on a company’s financials

- GRI standards are concentrated on a company’s economic, environmental and social impact in an attempt to promote responsible business behavior

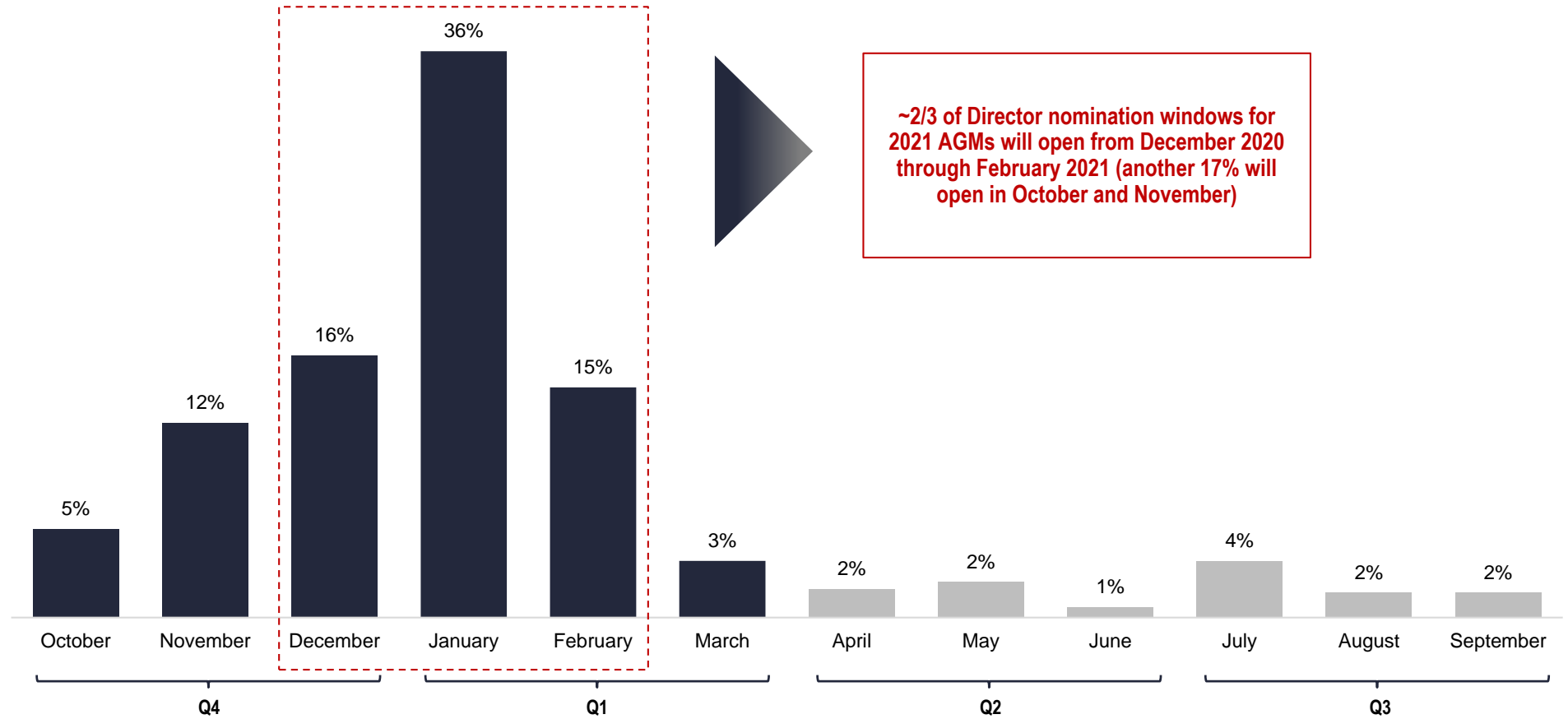
- In September 2020, SASB and GRI announced an additional partnership with the Carbon Disclosure Project, the Climate Disclosure Standards Board and the International Integrated Reporting Council to jointly develop a unified framework for sustainability accounting

Predictions on the Activism Landscape

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| <p>When will activism fully return?</p> | <ul style="list-style-type: none"> • Today’s modest activity levels reflect a cautious view of the speed and nature of the economic recovery, relatively high equity valuations and potential negative perceptions of activism in time of pandemic • Expect increased campaign volume with evidence of economic and market recovery, potentially as soon as Q4 2020 ahead of the opening of Director nomination windows for many companies |
| <p>Who will be most vulnerable?</p> | <ul style="list-style-type: none"> • Activists will likely continue to target companies with asymmetric risk return profiles and a catalyst for near-term value realization • Following the pandemic, activists will likely target companies with: <ul style="list-style-type: none"> – Complex or vulnerable supply chains – Misaligned portfolios ill-suited to the recovery economy – Balance sheets or capital allocation policies misaligned with current market and operating environment – A track record indicative of failed risk and crisis management – ESG issues: <ul style="list-style-type: none"> • Workforce resiliency, safety and flexibility issues • Boards lacking the skill set for the future • Failure to address industry-specific ESG issues |
| <p>Will there be a new activist playbook?</p> | <ul style="list-style-type: none"> • Activists will use traditional tactics to unlock value, including streamlining portfolios, capital allocation, cost cutting and improving operations, as well as share buybacks for companies whose share price recovery continues to lag • ESG will become a “trojan horse” to advance campaigns where management has failed to deliver sector leading performance and ESG appears sub-par <ul style="list-style-type: none"> – Expect to see an increase in “fresh perspectives,” “a modern approach,” “what harm can it do to add us” campaigns under the guise of ESG • Board representation will be a more frequent ask in campaigns |






S&P 500 Director Nomination Windows

Nomination Window Openings of the S&P 500¹



Following a subdued first three quarters of 2020, Q4 may present an opportunity for a snap-back in activism, with activists launching campaigns prior to the nomination windows and subsequently nominating candidates to effectuate their desired changes

Shareholder Advisory Group—Key Contacts

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|---|------------------------------|--|--------------------------|---|
|  | Jim Rossman | Managing Director and Head of Shareholder Advisory | (212) 632-6088 | jim.rossman@lazard.com |
|  | Mary Ann Deignan | Managing Director | (212) 632-6938 | maryann.deignan@lazard.com |
|  | Andrew T. Whittaker | Managing Director | (212) 632-6869 | andrew.whittaker@lazard.com |
|  | Rich Thomas | Managing Director and Head of European Shareholder Advisory | +33 1 44 13 03 83 | richard.thomas@lazard.com |
|  | Dennis K. Berman | Managing Director | (212) 632-6624 | dennis.berman@lazard.com |
|  | Christopher Couvelier | Director | (212) 632-6177 | christopher.couvelier@lazard.com |
|  | Kathryn Night | Director | (212) 632-1385 | kathryn.night@lazard.com |
|  | Todd Meadow | Director | (212) 632-2644 | todd.meadow@lazard.com |