

LAZARD'S CAPITAL MARKETS ADVISORY GROUP

2021 Review of Shareholder Activism

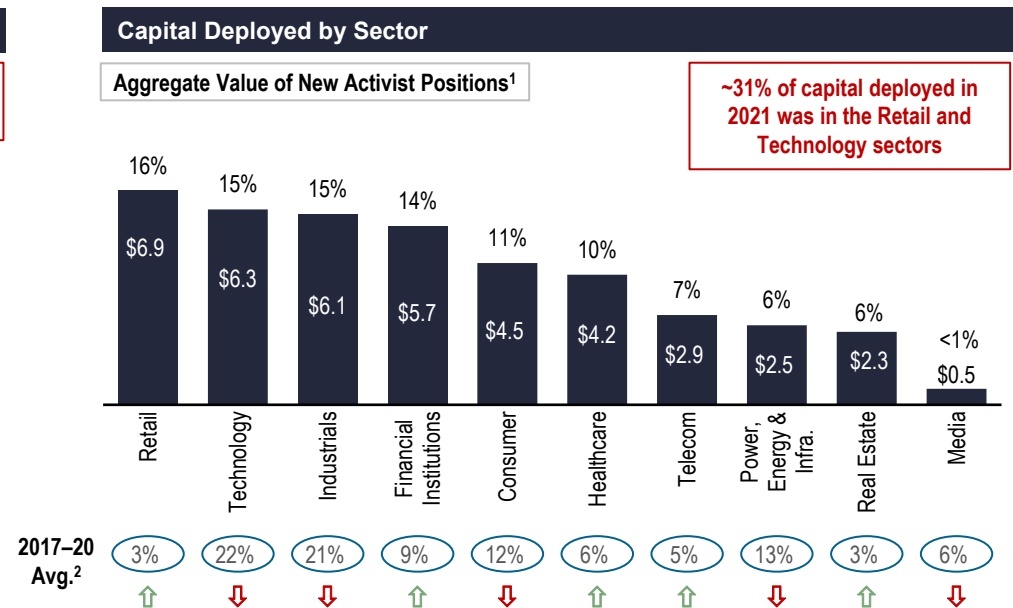
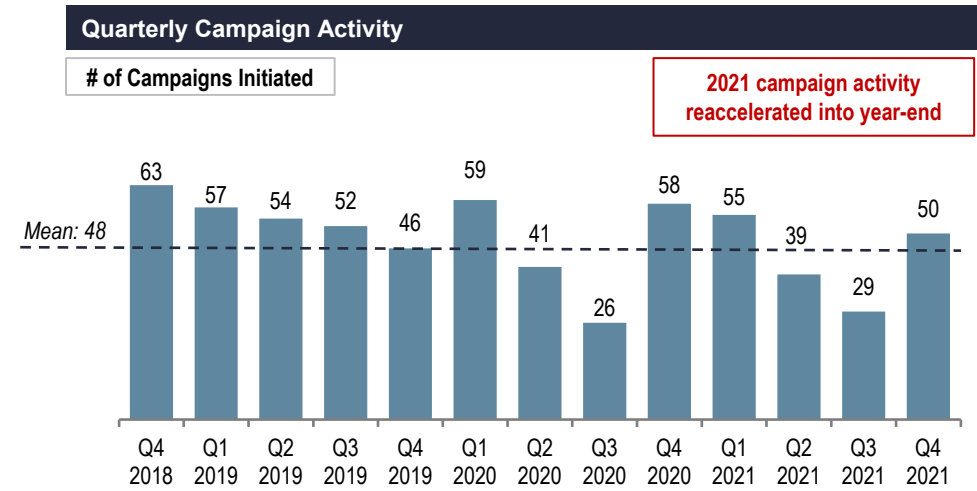
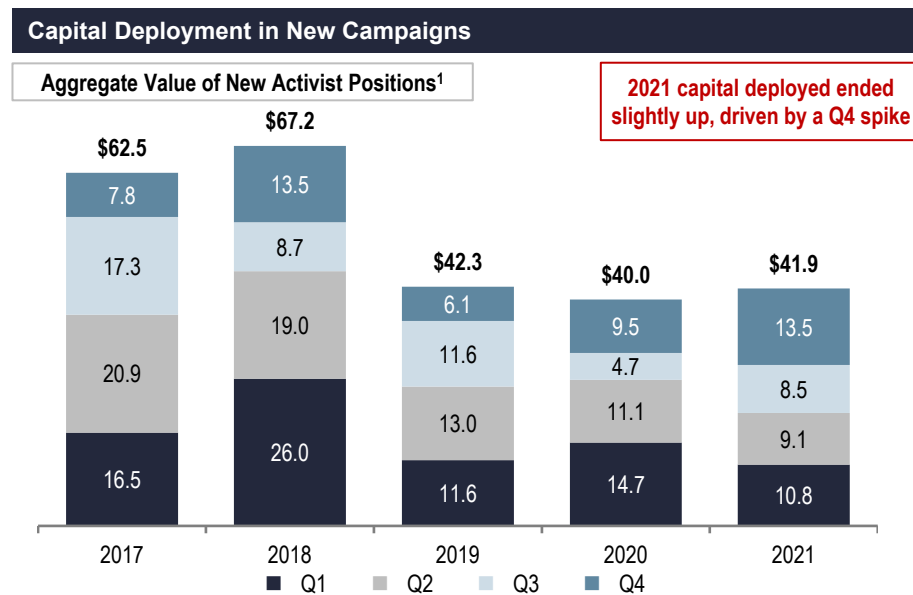
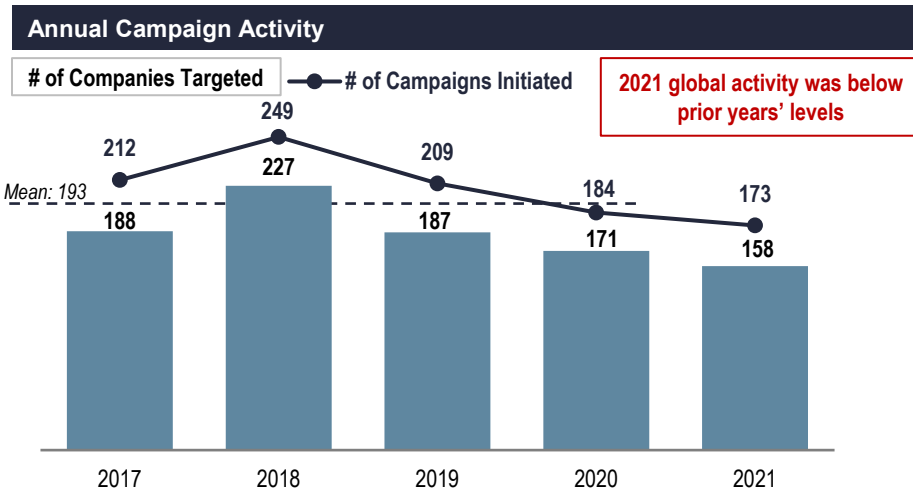
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Observations on the Global Activism Environment in 2021

1	U.S. Activity Leads Global Market <ul style="list-style-type: none"> 173 campaigns launched globally in 2021, in line with 2020's slower pace; capital deployed by activists was also roughly flat Y-o-Y (\$42bn vs. \$40bn) <ul style="list-style-type: none"> New campaigns launched in the U.S. increased 14% Y-o-Y, and U.S. activity accounted for 55% of all global activism (up from 45% in 2020) Numerous high-profile campaigns, including several launched in prior years, reached inflection points in 2021 – including ExxonMobil becoming the largest issuer to lose a proxy fight, Toshiba announcing a break-up following persistent activist criticism and Box prevailing in its proxy fight against Starboard following its controversial “white squire” investment from KKR The year culminated with a very active Q4 that saw 50 new campaigns launched, resulting in numerous live situations heading into 2022 Elliott launched 17 campaigns, its most active year since 2018, including notable situations at GSK, Duke Energy, Citrix and Willis Towers Watson <ul style="list-style-type: none"> JANA's seven campaigns (including Treehouse and Zendesk) made it the next most prolific fund and matched JANA's 2014 high-water mark for new launches
2	Resurgence of Leading Activists in Europe <ul style="list-style-type: none"> Following a record 2020, Europe registered 50 new campaigns in 2021, down 12% Y-o-Y but with a strong finish in Q4 with 16 new campaigns <ul style="list-style-type: none"> Leading large-cap activists¹ are back in Europe, waging 26% of all campaigns (up from 16% in 2020), with Elliott alone launching nine Accounting for 40%+ of all European campaigns, the share of activism in the UK was more than 3x the next most targeted jurisdiction
3	Fewer Board Seats Won, Largely via Settlement <ul style="list-style-type: none"> Although the 89 Board seats secured by activists was lower than in recent years, 50 seats remain “in play” heading into 2022, including notable potential contests at Dollar Tree (11 seats), Southwest Gas (10 seats), Canadian National (4 seats) and Huntsman (4 seats) Over 90% of Board seats secured by activists were through settlements, rather than final proxy votes – the highest level in recent years Activist appointed Directors reflected greater gender diversity and less public company CEO/CFO and directorship experience than in prior years, suggesting activists are broadening their candidate recruitment efforts
4	M&A-Related Activism Dominates <ul style="list-style-type: none"> 43% of activist campaigns in 2021 featured an M&A-related thesis, slightly above the multi-year average of 39% Opposition to announced deals was the most common M&A theme, accounting for 19% of all activist campaigns <ul style="list-style-type: none"> Within opposition campaigns, campaigns seeking sweetened transaction terms were more common and achieved higher rates of activist success than campaigns seeking to call off deals altogether
5	Regulatory and Voting Changes Likely to Impact Activism in 2022 <ul style="list-style-type: none"> The SEC's November adoption of a universal proxy rule is poised to lower barriers to entry for nominations from both traditional activists and other constituencies (e.g., ESG activists, current/former employees) <ul style="list-style-type: none"> While the rule does not take effect until August 31, 2022, activists could start requesting the use of universal proxies in the upcoming proxy season Amid increasing scrutiny of ownership concentration by the “Big 3” index funds, BlackRock's decision to permit devolution of voting rights to its ultimate investors in certain cases may incentivize other institutions to follow suit
5	Escalation in ESG Activism <ul style="list-style-type: none"> 2021 saw the rapid proliferation of ESG as a key plank in activists' platforms <ul style="list-style-type: none"> The use of ESG in campaigns ranged from fundamental strategic attacks (e.g., Third Point urging Shell to separate its renewables and refining businesses) to more ancillary “wedge” criticisms intended to curry favor with index funds and other ESG-focused investors ESG attacks are no longer just the domain of a small crop of ESG-first activists (Engine No. 1, Inclusive, Impactive); 2021 also saw more traditional activists incorporate ESG vectors into their campaigns

Global Campaign Activity and Capital Deployed

(\$ in billions)



Source: FactSet, press reports and public filings as of 12/31/2021.

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; companies spun off as part of campaign process counted separately. Stakes and capital deployed may not reflect positions held through derivatives.

¹ Calculated as of campaign announcement date, or as of initial date of disclosure. Does not include campaigns in which the size of the activist stake is not publicly disclosed.

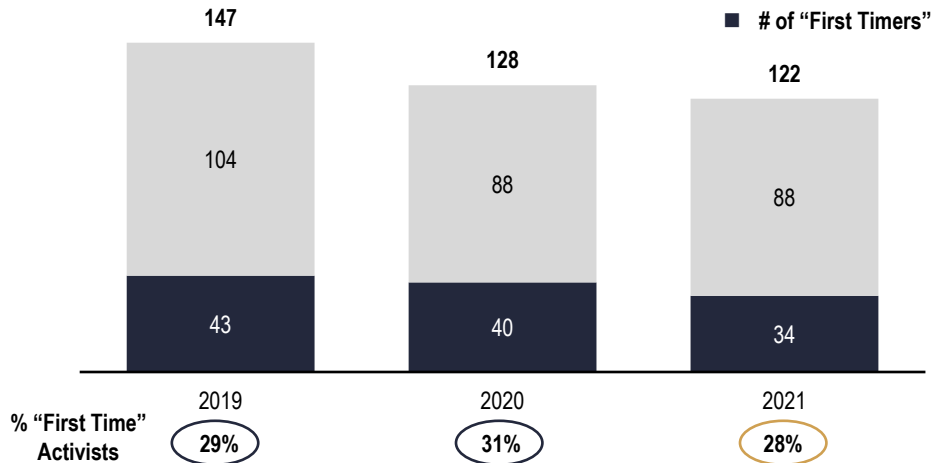
² 4-year average based on aggregate value of activist positions.

Global Activist Activity in 2021

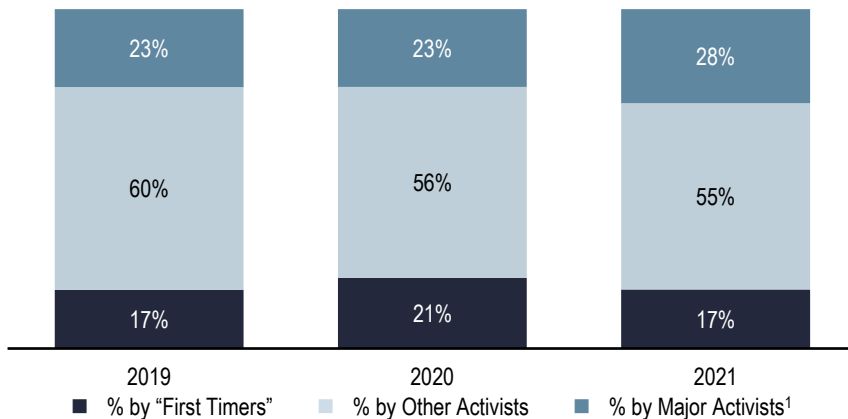
(\$ in billions)

High-profile, established activists were responsible for a greater share of activity in 2021, with Elliott by far the most prolific agitator

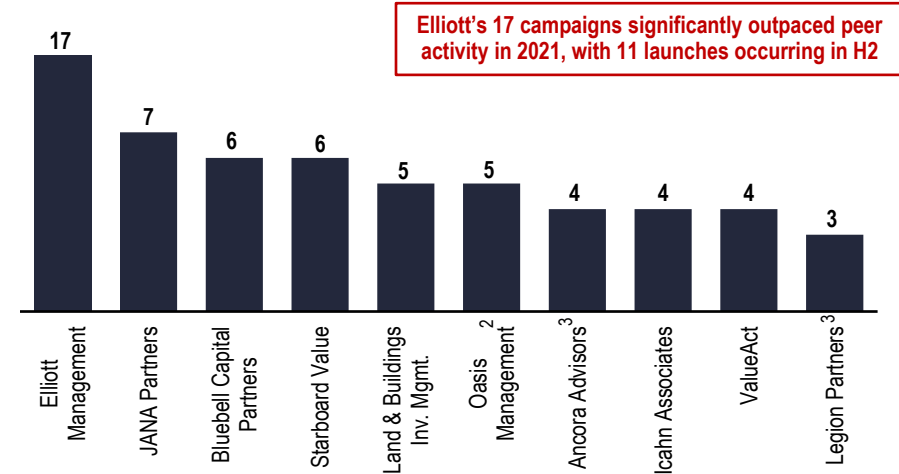
Investors Launching Activist Campaigns by # of Activists



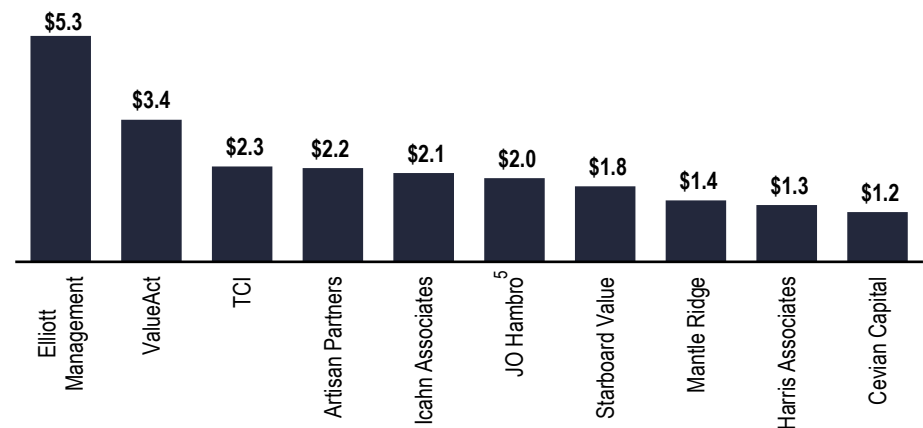
Investors Launching Activist Campaigns by % of Campaigns



Activist Activity by Campaigns Launched



Capital Deployed (\$bn)⁴



Source: FactSet, press reports and public filings as of 12/31/2021.

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¹ Includes Cevian, Elliott, Glenview, Icahn Associates, JANA Partners, Land & Buildings, Pershing Square, Starboard Value, Third Point, Triun and ValueAct.

² Includes campaign launched by Oasis, Japan Catalyst and Orbis Investment Management at NIPPO.

³ Includes campaign launched by Ancora Advisors, Legion Partners, Macellum Advisors and 4010 Capital at Kohl's.

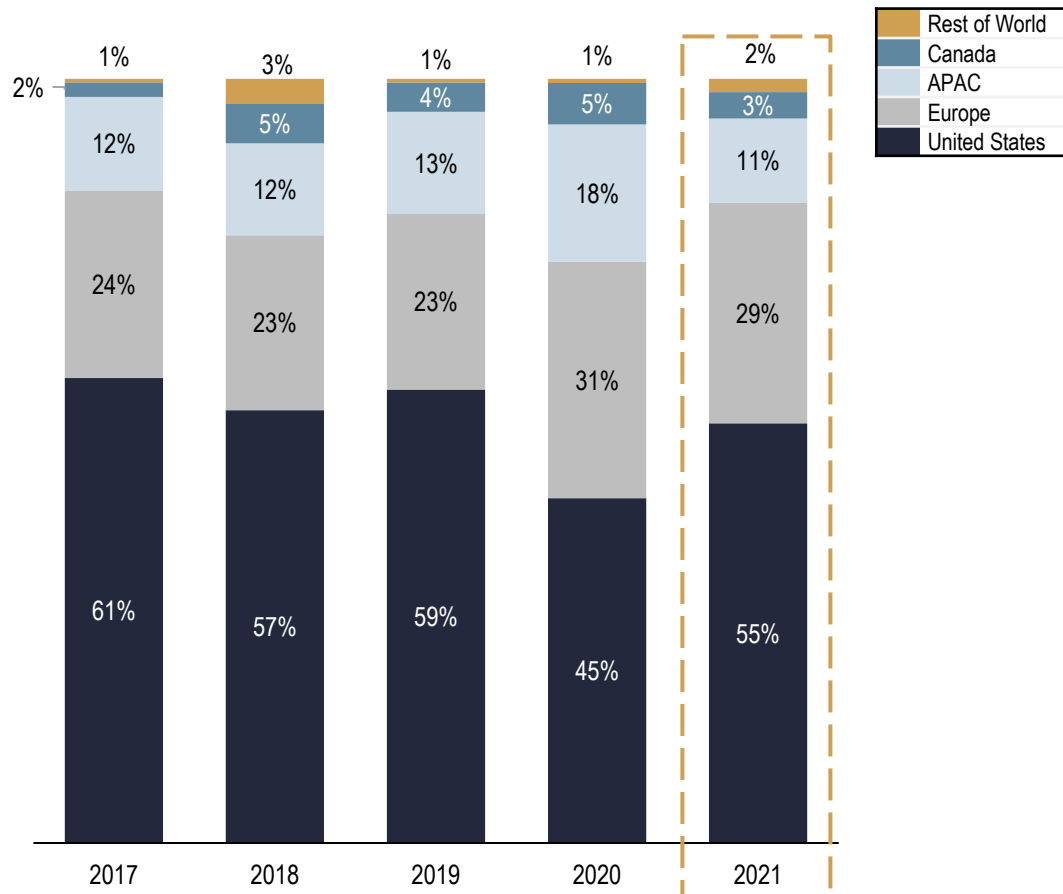
⁴ Calculated as of campaign announcement date, or as of initial date of disclosure. Does not include campaigns in which the size of the activist stake is not publicly disclosed.

⁵ Includes \$1.7bn stake from joint campaign with Silchester International Investors, Legal & General and M&G.

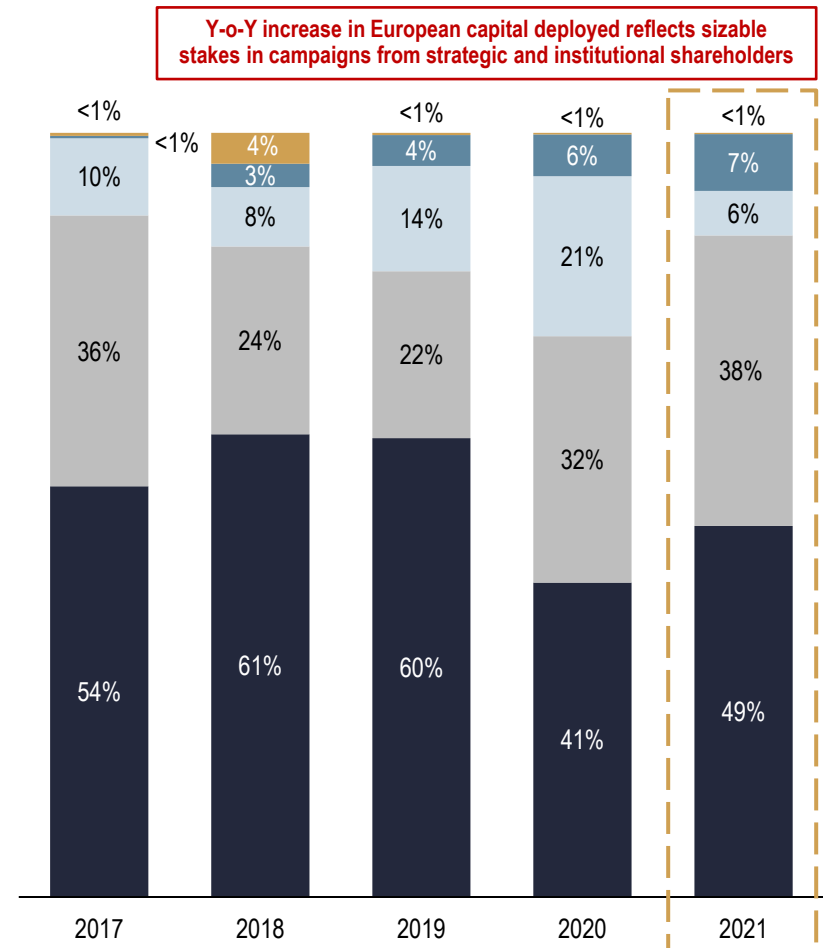
Regional Trends in Global Activity

2021 U.S. activity increased from 2020, representing 55% of global campaigns and 49% of global capital deployed, but remained below historical levels as Europe has become a greater share of global activity; campaign activity in APAC and Canada stalled in H2 2021 after a strong start to the year and trailed levels seen in 2020, a period when ROW accounted for an out-sized share of global campaigns

Regional Breakdown of Campaigns Initiated by Year












































Regional Breakdown of Capital Deployed by Year¹



Largest Activist Targets in 2021

(\$ in billions)

U.S.			
Company	Activist	Position ¹	Market Cap ¹
		<0.1%	\$238.8
		0.1%	79.8
		<0.1%	78.4
		1.6%	77.0
	POLITAN CAPITAL MANAGEMENT	2.1%	43.1
		1.0%	40.8
	LANDandBUILDINGS	0.1%	37.4
		2.6%	33.7
	MANTLE RIDGE	5.7%	25.4
		0.8%	24.1
Cumulative Market Cap of Top 10:			\$678.5

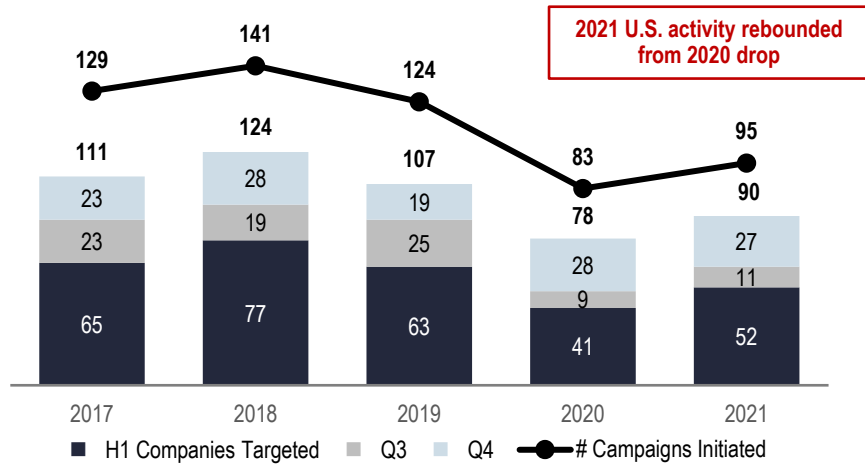
Rest of World				
Company	Country	Activist	Position ¹	Market Cap ¹
			0.4%	\$187.4
		BLUEBELL CAPITAL PARTNERS 	-- / --	93.6
		ARGUCIA CAPITAL MANAGEMENT SPARTA GROUP Tempo Capital Group, LLC	<0.1%	92.4
		TCI Fund Management 	2.9% / --	77.1
		THIRD POINT ARTISAN PARTNERS	-- / 1.2%	70.7
		BLUEBELL CAPITAL PARTNERS	--	62.8
		ARTISAN PARTNERS BLUEBELL CAPITAL PARTNERS	3.0% / --	45.4
		BLUEBELL CAPITAL PARTNERS	--	42.8
		VAC ValueAct Capital	4.4%	37.2
			3.0%	35.1
Cumulative Market Cap of Top 10:				\$744.5

U.S.: Campaign Activity and Capital Deployed

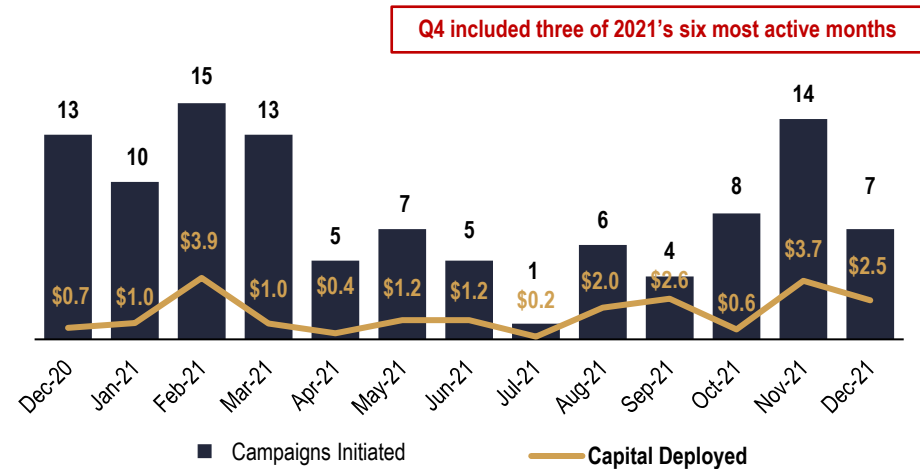
(\$ in billions)



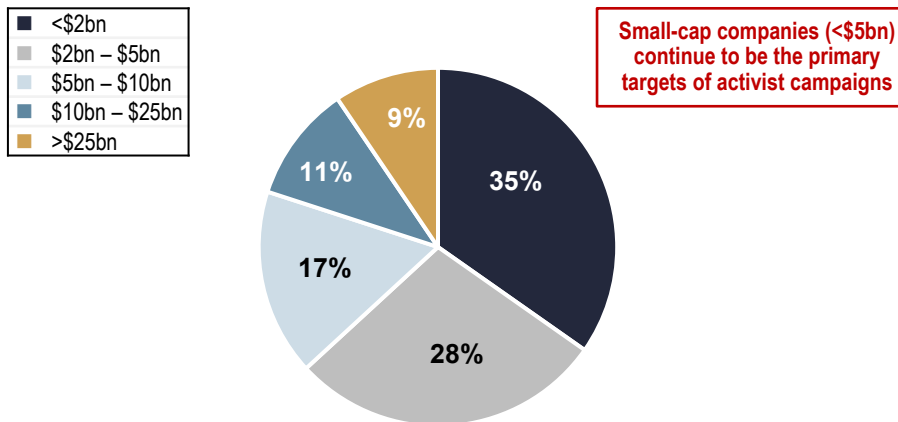
U.S. Annual Campaign Activity



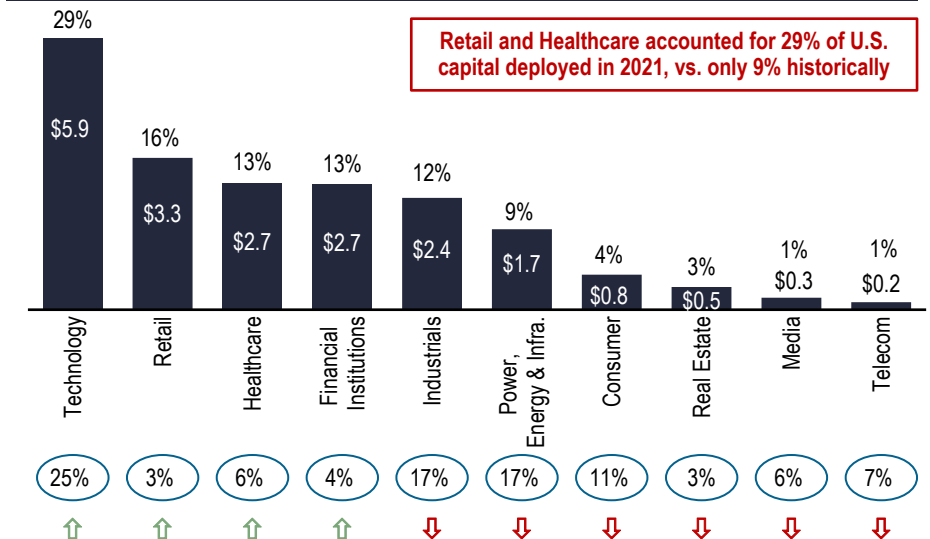
U.S. Campaign Activity by Month (LTM)



U.S. Market Cap. Breakdown of New Campaigns¹



U.S. Capital Deployed by Sector¹



Source: FactSet, press reports and public filings as of 12/31/2021.

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; companies spun off as part of campaign process counted separately. Stakes and capital deployed may not reflect positions held through derivatives.















1 Calculated as of campaign announcement date, or as of initial date of disclosure.

2 4-year average based on aggregate value of activist positions.

U.S.: Notable 2021 Public Campaign Launches and Developments



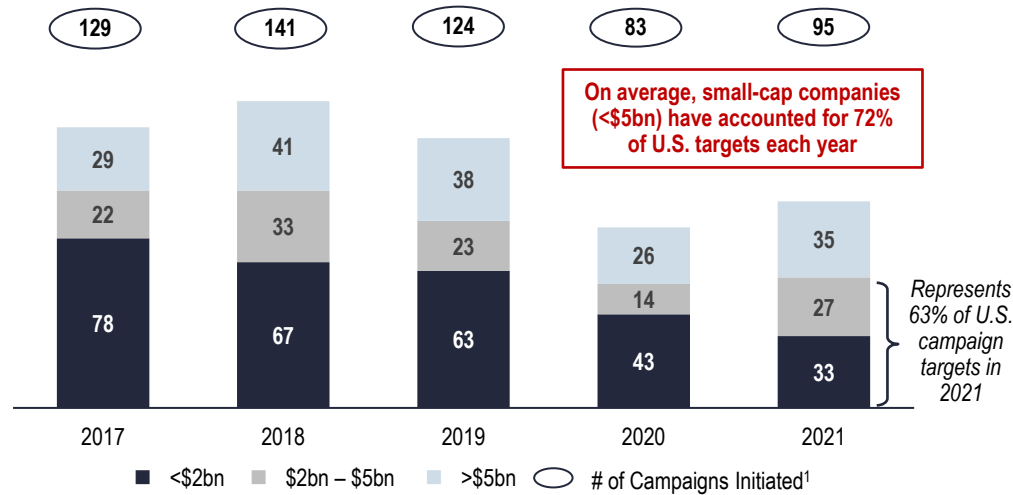
(\$ in billions)

Notable Campaign Launches				Notable Campaign Developments			
Launch Date	Company / Market Cap ¹	Activist	Highlights	Launch Date	Company / Market Cap ¹	Activist	Highlights
12/21	 GoDaddy \$13.7	 STARBOARD VALUE	<ul style="list-style-type: none"> In December, Starboard filed a 13D disclosing a 6.5% stake in GoDaddy Specific campaign objectives have not yet been disclosed 	11/21	 CENTENE \$43.1	POLITAN	<ul style="list-style-type: none"> In November, <i>The Wall Street Journal</i> reported that newly-formed Politan Capital Management had taken a stake and was pressuring the Company to refresh its Board In December, Centene announced a settlement with Politan whereby it would appoint five new Directors, retire six incumbent Directors and replace CEO and Chairman, Michael Neidorff
11/21	 DOLLAR TREE \$25.4	MANTLE RIDGE	<ul style="list-style-type: none"> In November, <i>The Wall Street Journal</i> reported that Mantle Ridge had taken a significant stake in Dollar Tree In December, Mantle Ridge nominated an 11-person slate, including its founder Paul Hilal, to replace the Company's current Board 	9/21	 citrix \$13.2	 ELLIOTT	<ul style="list-style-type: none"> In September, <i>The Wall Street Journal</i> reported that Elliott had re-engaged at Citrix with a 10%+ stake; Elliott's Jesse Cohn had served on the Board from 2015-2020 In October, CEO David Henshall stepped down and the Company announced a restructuring program In December, <i>Bloomberg</i> reported that Elliott was working with Vista Equity Partners on a potential takeover bid for Citrix
10/21	 macys \$7.0	 JANA PARTNERS LLC	<ul style="list-style-type: none"> In October, <i>The Wall Street Journal</i> reported that JANA Partners sent a letter to Macy's revealing a stake and calling for the separation of its e-commerce unit; JANA had hinted at its thesis at a conference the prior week 	12/20	 ExxonMobil \$172.9	 ENGINE NO. 1	<ul style="list-style-type: none"> After intense public scrutiny of the Company's history of underperformance, capital allocation strategy and perceived ESG issues, three of Engine No. 1's four Director nominees, Gregory Goff, Kaisa Hietala and Alexander Karsner, were elected to the Company's Board at the 2021 AGM
10/21	 Southwest Gas HOLDINGS \$4.2	 ICAHN ENTERPRISES L.P.	<ul style="list-style-type: none"> In October, <i>The Wall Street Journal</i> reported that Icahn had built a large stake in the Company and was pushing the Board to abandon its planned \$2bn acquisition of Dominion Energy's Questar pipeline Icahn also launched a tender offer for \$75/share in October In November, Icahn nominated 10 Directors to the Company's Board 	9/19	 box \$2.2	 STARBOARD VALUE	<ul style="list-style-type: none"> In September, Starboard lost its proxy fight at Box after shareholders voted to re-elect all three of Box's Director nominees at the Company's AGM After more than two years of agitation, Starboard revealed in October it had sold down its position to below the 5% reporting threshold

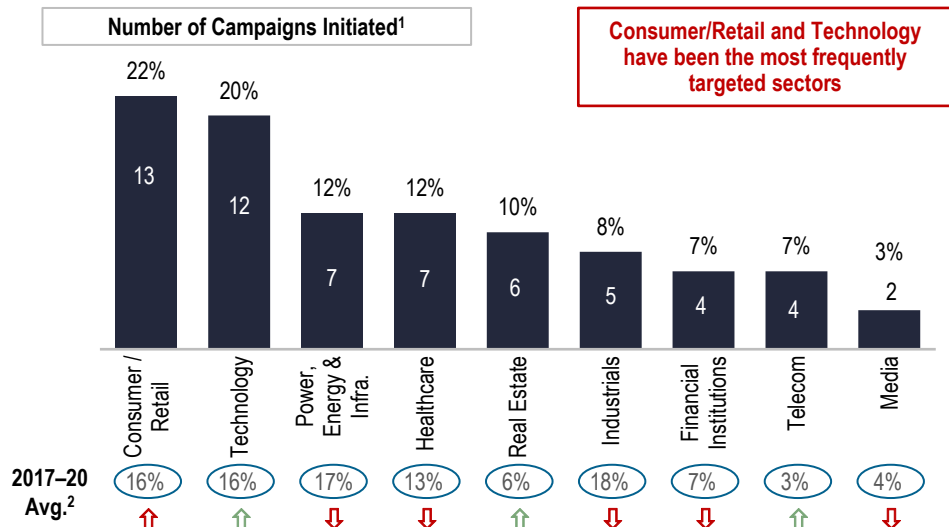
U.S.: Small-Cap Activism in Focus



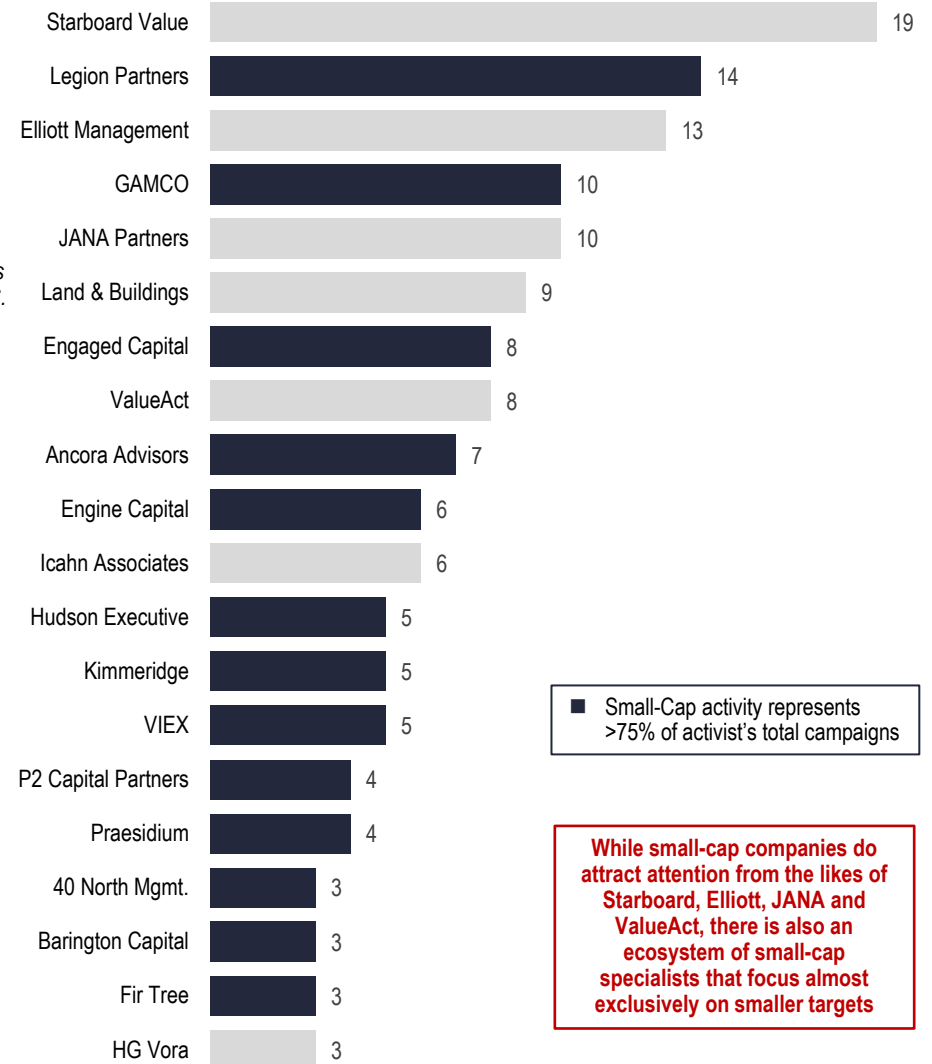
Target Market Cap Breakdown of U.S. Campaigns



Activist Activity by Small-Cap Campaigns Launched



Activist Activity by Small-Cap Campaigns Launched (Since 2017)¹



Source: FactSet, press reports and public filings as of 12/31/2021.

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¹ Includes campaigns targeting U.S. companies with market capitalizations <\$5bn.

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

Europe: Campaign Activity

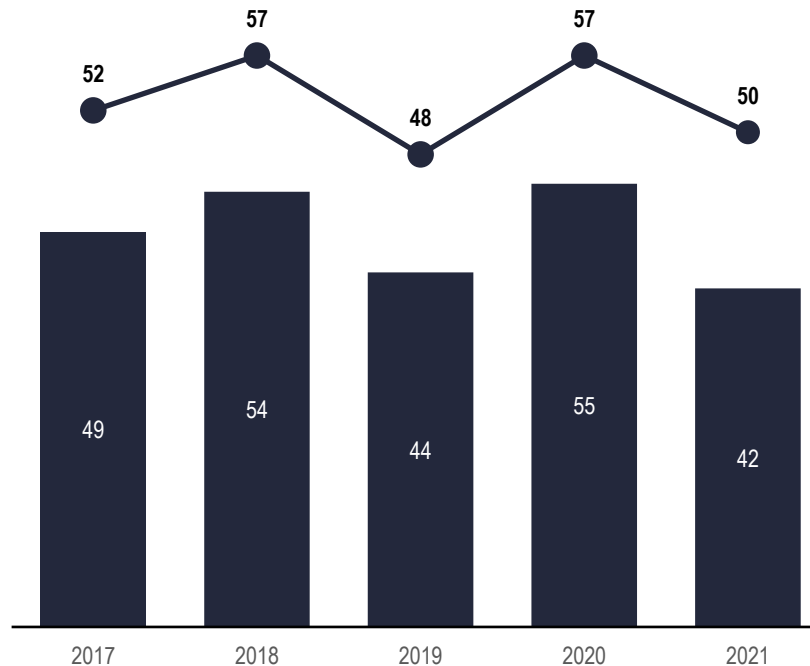
(\$ in billions)



Annual Campaign Activity

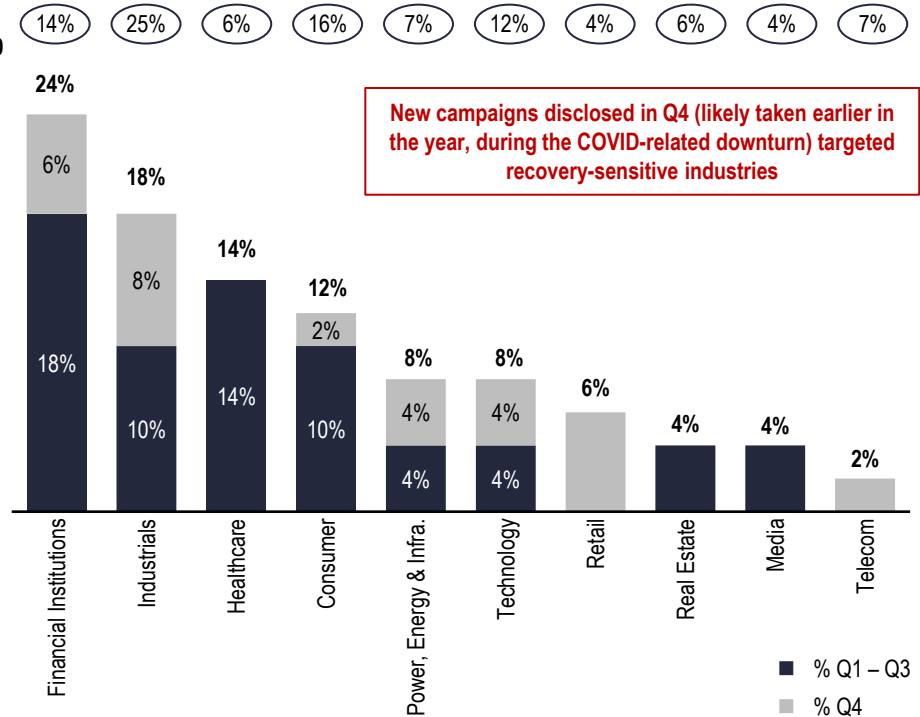
of Companies Targeted

Campaigns Initiated



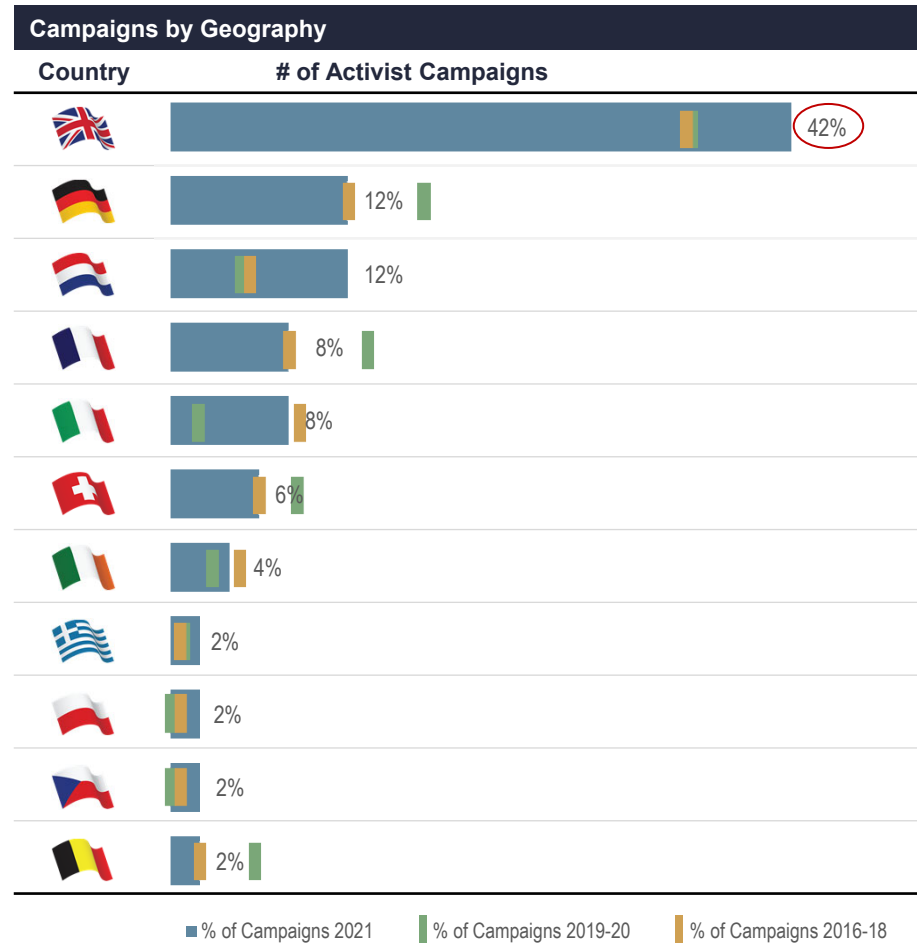
- Following a record year for European campaign activity in 2020, campaigns in 2021 returned to more normalized levels
- The spread between campaigns initiated and companies targeted continues to suggest a “swarming” approach to activism
- 16 campaigns in Q4 2021 came close to historic highs

2021 Campaigns by Sector (in %)

% Avg.
2017–20

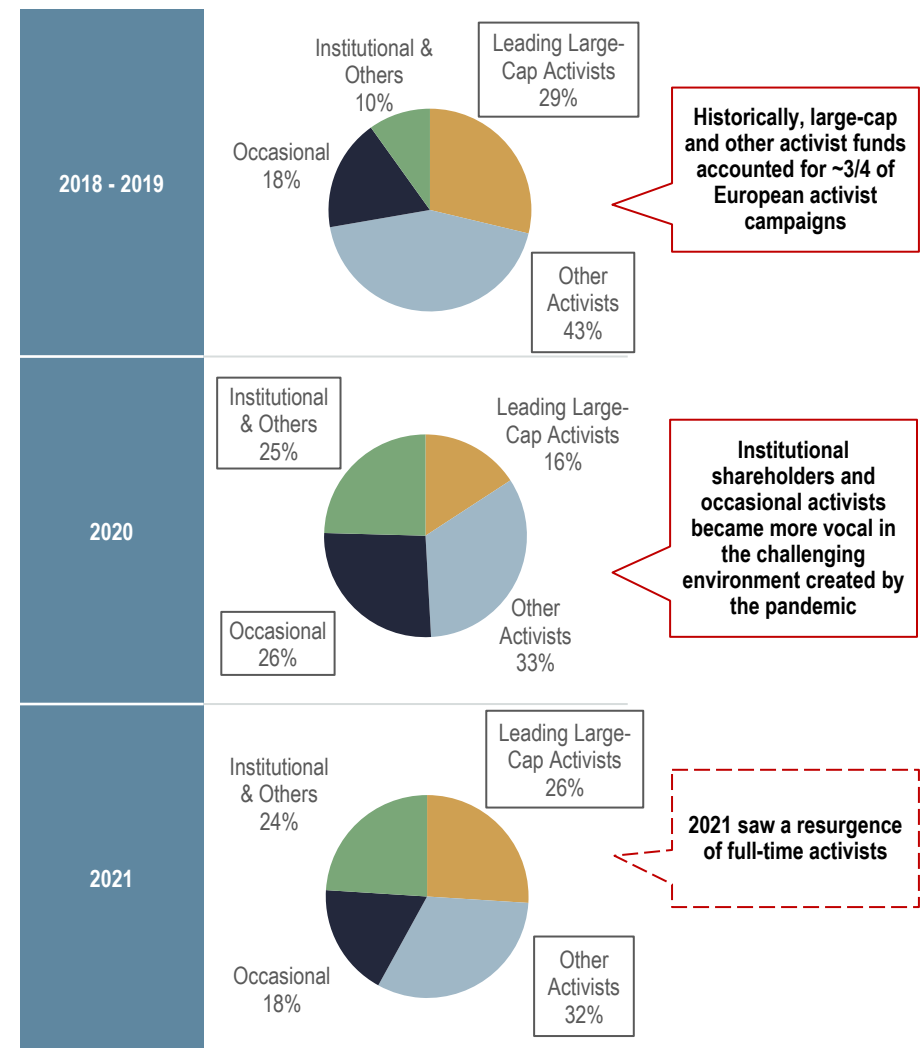
- 2021 activism was relatively diversified, with a primary focus on Financial Institutions and Industrials
- In the Financial Institutions space, Insurance was particularly in the crosshairs, while Pharmaceuticals and Distribution companies were most common among Healthcare targets
- In Q4, Industrial and Retail companies were targeted in seven of the 16 campaigns

Europe: U.K. in the Crosshairs as Leading Large-Cap Activists Return



- UK companies have been disproportionately targeted in 2021, attracting 42% of all European campaigns
- Germany and the Netherlands were highly targeted – the percentage of Dutch companies targeted doubled relative to historic levels

Campaigns by Activist Category¹



Source: FactSet, press reports and public filings as of 12/31/2021.

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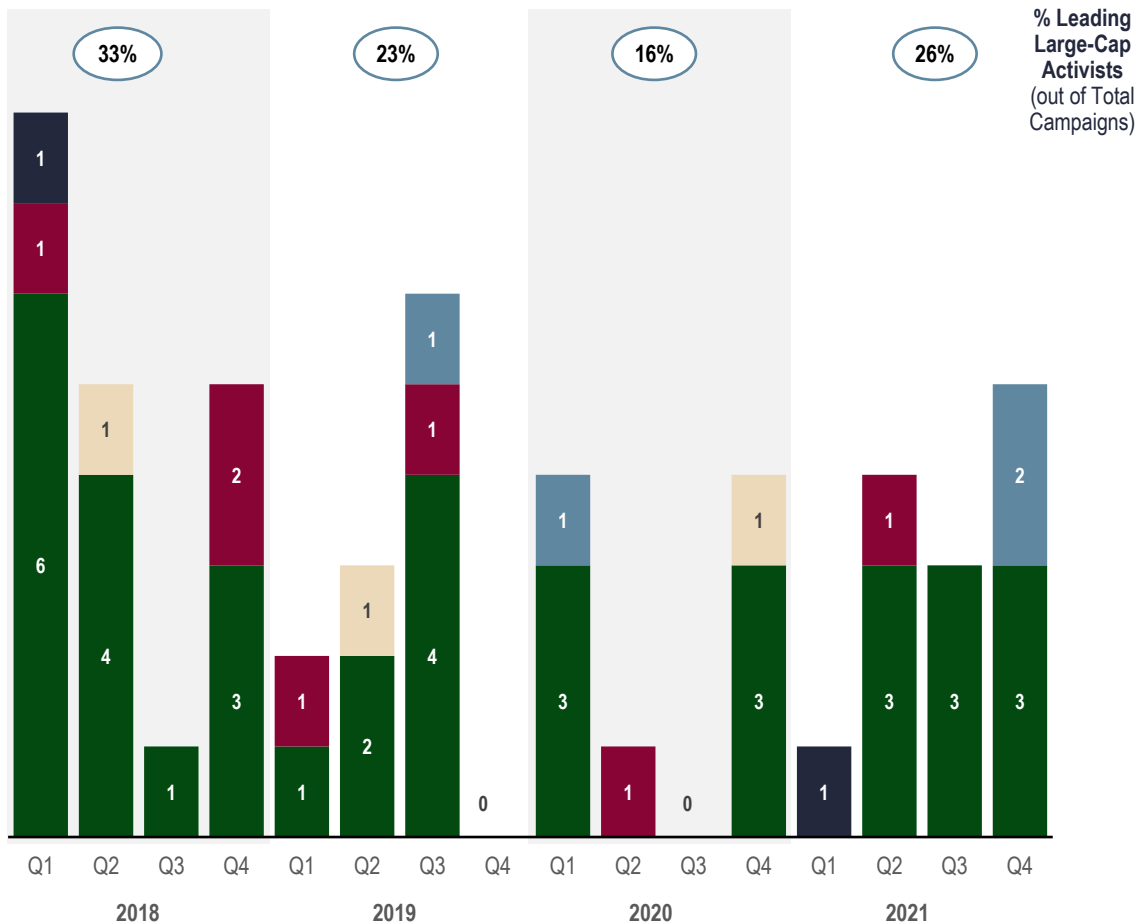
1 Activist classification: Leading large-cap activists include Cevian, Elliott, Third Point, Triun and ValueAct. Other activists include full-time activists excluding leading large-cap activist. Occasional activists include investors occasionally using activism strategies as part of their investment strategy. Institutional & others include institutional and all other shareholders having launched an activist campaign.

Europe: The Return of Leading Large-Cap Activists, Led by Elliott

(\$ in billions)



Resurgence of Leading Large-Cap Activists



Selected 2021 Elliott Campaigns



- Activity from leading large-cap activists has significantly re-accelerated in 2021, accounting for ~26% of campaigns vs. just 16% in 2020
- Notably, 2021 has marked the resurgence of Elliott's activity in Europe, with the fund representing ~18% of total European campaigns
- While Elliott's targets were diverse, it appeared to favor large-cap companies and the Healthcare space

























Leading Large-Cap
Activists

Europe: Notable Public Campaign Launches and Developments
































(\$ in billions)



Launch Date	Company / Market Cap ¹	Activist	Highlights	Launch Date	Company / Market Cap ¹	Activist	Highlights
11/21	 \$70.7 	 	<ul style="list-style-type: none"> In November, the <i>Financial Times</i> reported that Third Point held a stake in Richemont and was seeking change along with long-term investor Artisan Partners Later in November, Richemont announced it was in advanced talks to sell a minority stake in its retailing platform YOOX Net-a-Porter 	8/21	 \$23.4 		<ul style="list-style-type: none"> In September, Elliott pressured SSE to break up its renewables and regulated electricity businesses In November, <i>Bloomberg</i> reported that SSE was considering selling a stake in its electricity network assets amid pressure from Elliott In December, Elliott urged SSE to explore strategic initiatives (notably for networks and renewables businesses), to appoint two new independent Directors with renewables experience and create an independent strategic review committee
10/21	 \$187.4 		<ul style="list-style-type: none"> In October, Third Point revealed a stake in Royal Dutch Shell, calling for a break-up; the breakup sought to separate legacy oil and gas from renewable and energy transition businesses In November, Shell announced it would end its dual class share structure, shift its tax residence from the Netherlands to the U.K. and remove "Royal Dutch" from its name 	9/19	 \$1.8 	 	<ul style="list-style-type: none"> In late 2019, Petrus and Teleios started pushing for change at Aareal In June 2021, Aareal appointed a new CEO following pressure from Petrus In October, Aareal confirmed discussions with PE firms over its potential sale In November, Aareal agreed to sell itself to PE firms Advent International and Centerbridge, which was questioned by Teleios In December, shareholders approved the removal of three Supervisory Board members per Petrus' request, but did not approve its proposed nominees
9/21	 \$1.3 	  	<ul style="list-style-type: none"> In September, Harbor Spring agitated at Intertrust around capital allocation and pushed for a strategic review of alternatives (including a potential sale) The following day, Lucerne Capital called for a share buyback In November, Hawk Ridge recommended the appointment of new independent Supervisory Board members and a strategic review of alternatives In November, Intertrust received multiple public cash offers and agreed to be acquired by CSC 	4/21	 \$93.6 		<ul style="list-style-type: none"> In April, the <i>Financial Times</i> reported that Elliott had built a stake in GSK In July, Elliott criticized persistent underperformance and called for Board refreshment and leadership changes In October, GSK appointed genetics professor Dr. Harry Dietz to its Board In December, GSK appointed ex-Tesco CEO Sir Dave Lewis as chair designate of the new Consumer Healthcare company (proposed demerger in 2022) <i>Post 12/31 Update</i> – GSK has reportedly rejected multiple bids from Unilever for the Consumer Healthcare business

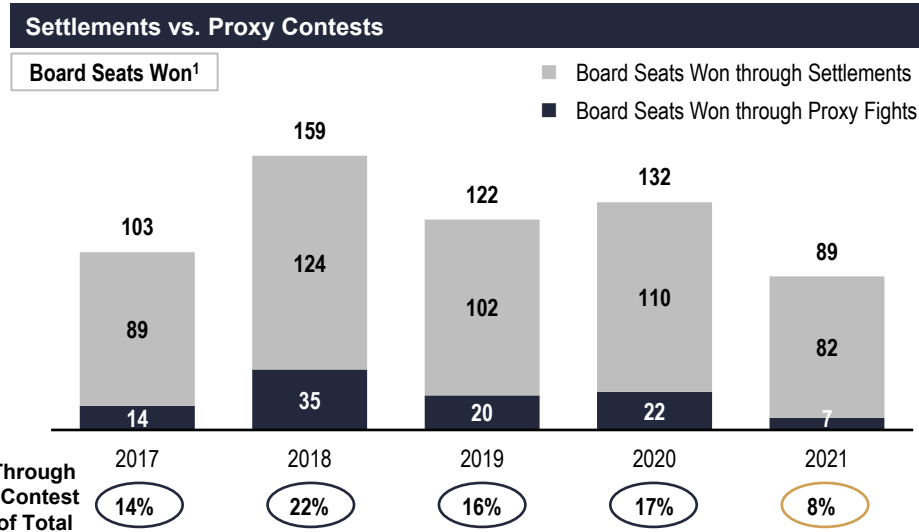
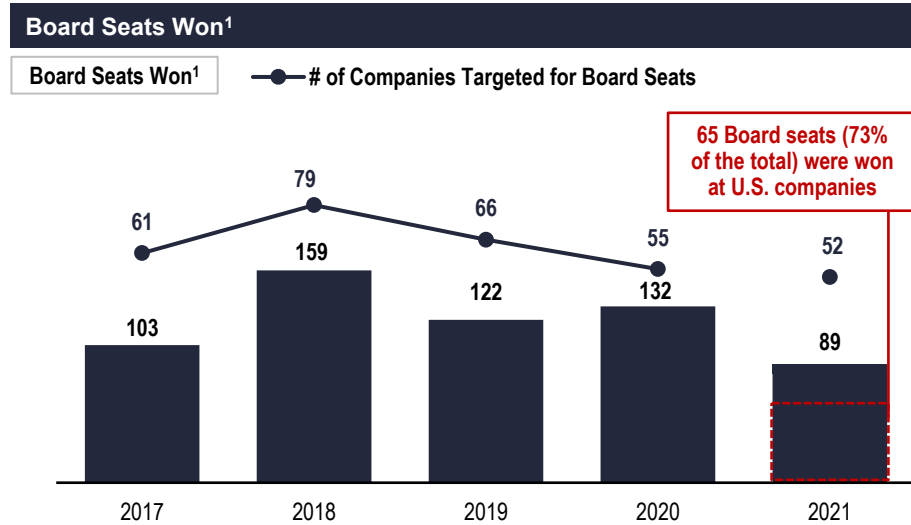
Rest of World: Notable 2021 Public Campaign Launches and Developments

(\$ in billions)

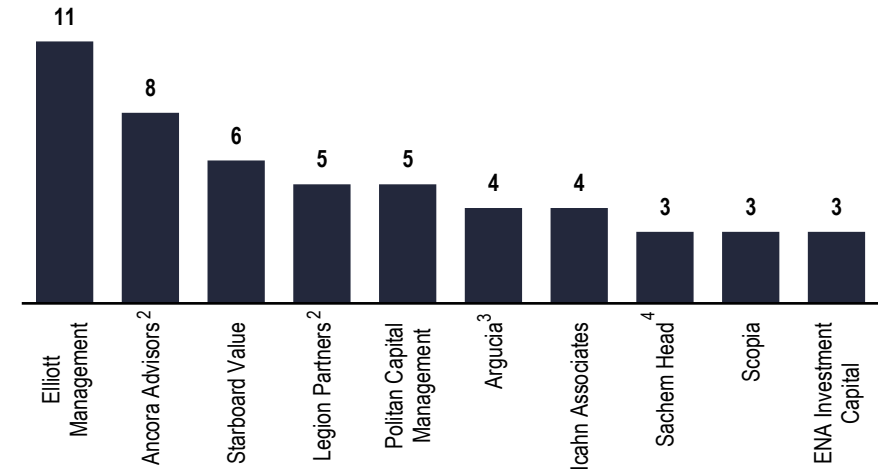
Launch Date	Company / Market Cap ¹	Activist	Highlights	Launch Date	Company / Market Cap ¹	Activist	Highlights
5/21 10/21	 \$77.1 	 	<ul style="list-style-type: none"> In May, TCI sent a letter to the Board seeking to abandon a takeover of Kansas City Southern In September, TCI launched a proxy fight, nominating four Directors and demanding CEO change In October, CN announced the CEO would retire The next day, <i>The Wall Street Journal</i> reported Elliott also had taken a stake and was pushing for operational improvements In December, TCI's CEO candidate withdrew 	6/20 4/21 9/21	 \$14.6 	  	<ul style="list-style-type: none"> In May, Toshiba released plans to return \$1.4bn to shareholders and establish a strategic review committee in response to activist critiques of its governance and capital management In June, Toshiba's Chairman and four senior executives were ousted In November, Toshiba announced plans to break up into three independent companies in response to activist demands for change <i>Post 12/31 Update</i> – #2 Shareholder, 3D Investment Partners, called for a special meeting in opposition to the pending separation
9/21	 \$3.1 		<ul style="list-style-type: none"> In September, Metrica Partners called on SK Chemicals to sell 18% of its controlling stake in SK Bioscience and pay a special dividend In December, Metrica called on SK Chemicals to launch a formal strategic review, including consideration of a full sale or spin-off of SK Bioscience 	3/21	 \$92.4 	  	<ul style="list-style-type: none"> In April, Argucia, Sparta and Tempo Capital targeted four Board seats, criticizing Vale's history of underperformance In May, the four activist-backed nominees were elected to the Board; the election resulted in an increase of independent Directors from three to eight
9/21	 \$4.3 	  	<ul style="list-style-type: none"> In September, Japan Catalyst opposed a tender offer for NIPPO by its parent, Eneos Holdings In October, Oasis Management opposed the tender offer, citing significant undervaluation and destruction of shareholder value A few days later, Orbis joined the other activists in criticizing the planned privatization of NIPPO In November, NIPPO announced that it would proceed with the tender offer by Eneos 	2/21	 \$10.7 		<ul style="list-style-type: none"> In February, Icahn disclosed a stake in Bausch Health, seeking engagement around the Company's strategic review and potential Board representation A few weeks later, Icahn entered into an agreement with the Company, granting Icahn two Board seats and expanding the Board to 13
5/21	 \$37.2 		<ul style="list-style-type: none"> In May 2021, <i>Bloomberg</i> reported that ValueAct had taken a stake in Seven & i and was pushing for a break-up of the Company, among other changes, citing a significant sum-of-the-parts discount 	1/21	 \$7.1 		<ul style="list-style-type: none"> In January, Sandon sent a letter calling for Tabcorp to spin off its lottery business from its wagering business, arguing that a demerger would enhance long-term shareholder value In March, Tabcorp announced that it would separate its wagering unit In July, Tabcorp announced that it had opted to separate its lotteries business, despite receiving several bids for its wagering unit

Global Board Seats Won

89 Board seats were won by activists in 2021, below historical averages, and 92% of seats secured have been through settlements



Board Seats Won by Activists, 2021



Board Seats in Play: Notable Slates

Company	Activist	Seats Targeted
DOLLAR TREE	MANTLE RIDGE	11
Southwest Gas HOLDINGS	ICAHN ENTERPRISES L.P.	10
CN	TCI Fund Management	4
HUNTSMAN	STARBOARD VALUE	4

50 seats remain "in play" heading into 2022

Source: FactSet, press reports and public filings as of 12/31/2021.

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; companies spun off as part of campaign process counted separately.

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

2 Includes seats won by Ancora, Legion Partners, Macellum Advisors and 4010 Capital at Kohl's.

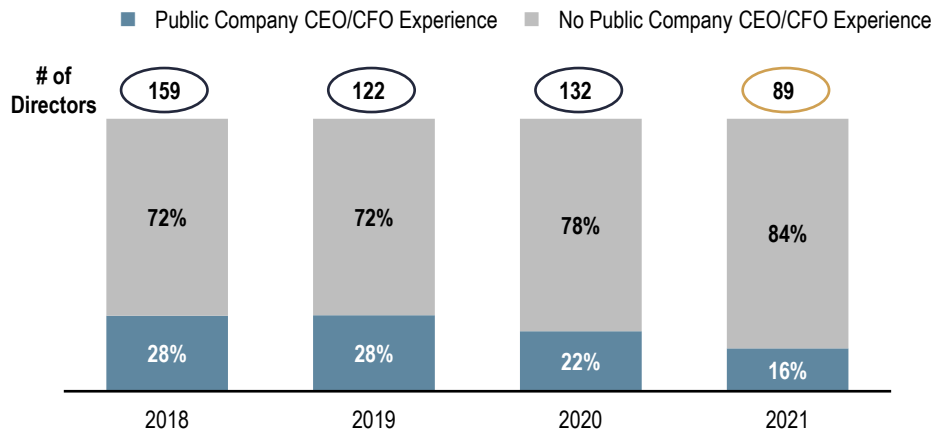
3 Includes seats won by Argucia, Sparta and Tempo Capital at Vale.

4 Includes seats won by Sachem Head Capital and Clearfield Capital at Bottomline Technologies.

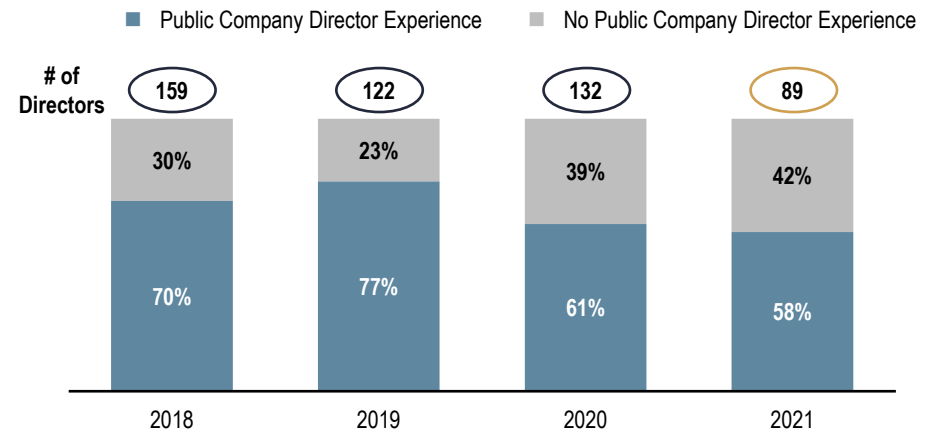
Profile of 2021 Activist Director Appointments

Director appointments from activists have increasingly broadened to individuals outside of the public company Executive or Director ecosystem and reflect greater attention to gender diversity

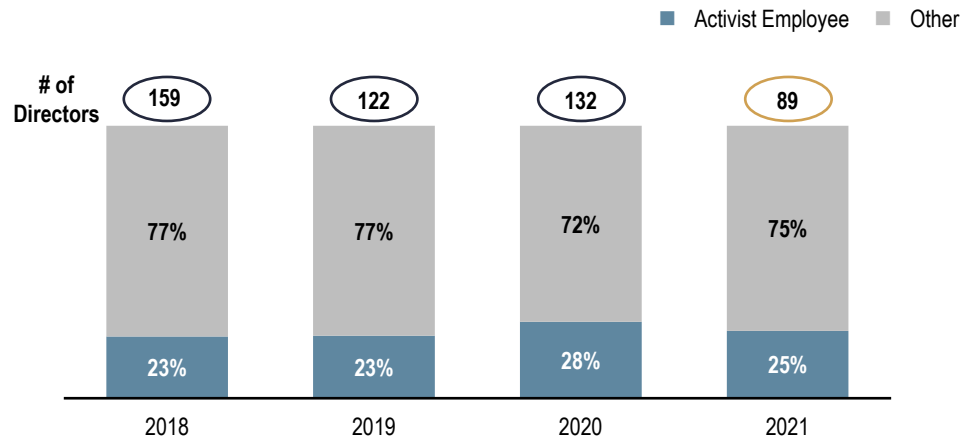
Public Company CEO or CFO Experience



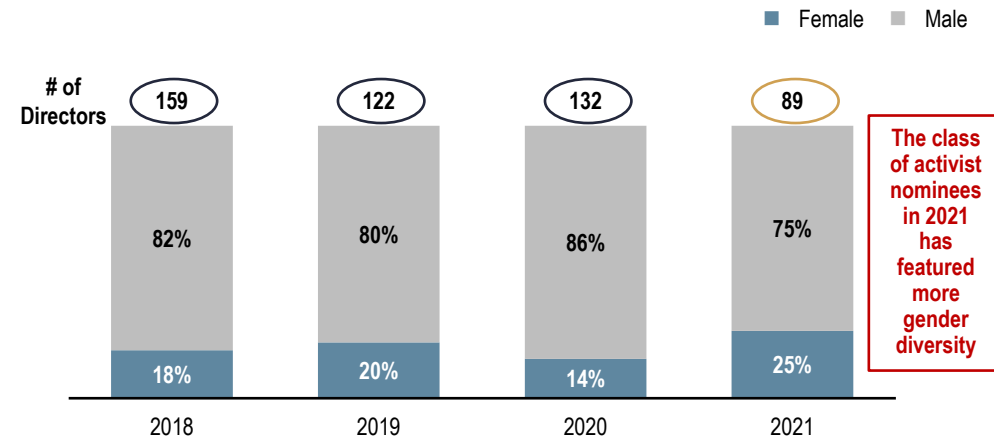
Public Company Director Experience



Activist Fund Affiliation of Directors



Gender Diversity of Directors

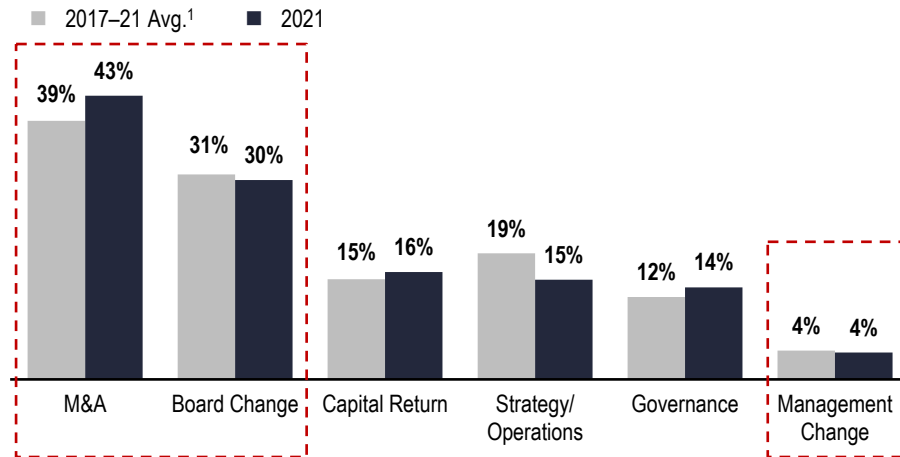


The class of activist nominees in 2021 has featured more gender diversity

Leadership Change Following Activist Campaign Launches

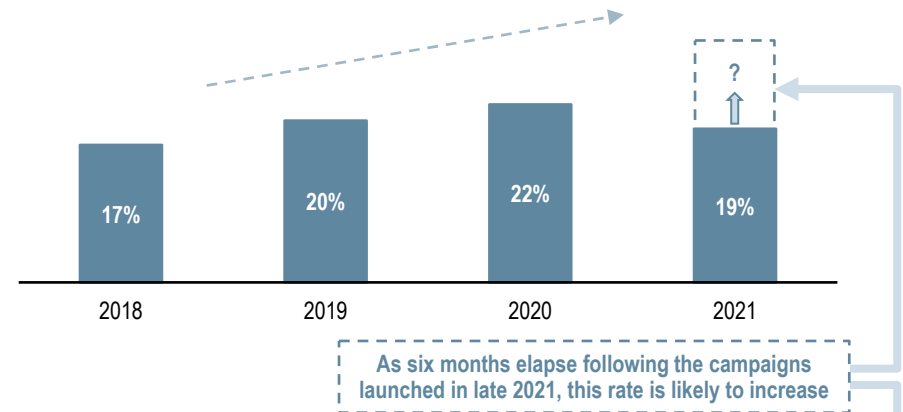
CEO turnover occurs with surprising frequency following the initiation of an activist campaign, whether or not the activist publicly demands it

2021 Global Campaign Objectives



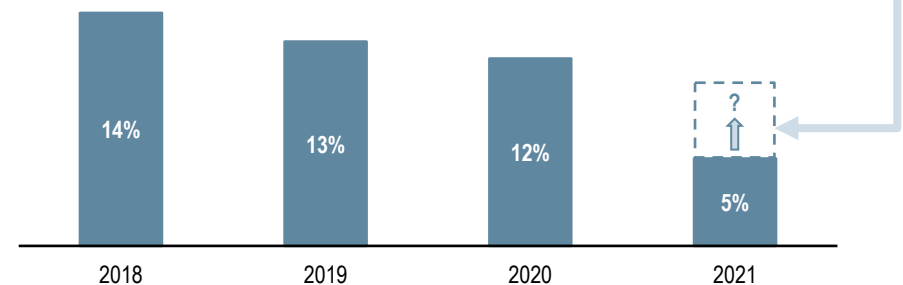
CEO Turnover at Targeted European Companies²

Announced within 6 months of Campaign Launch



CEO Turnover at Targeted U.S. Companies²

Announced within 6 months of Campaign Launch



- In 2021, M&A and Board Change remained the most common among global campaign objectives, consistent with multi-year averages
- While Management Change has accounted for less than 5% of stated campaign objectives annually, CEO turnover within six months of a campaign launch has been observed at a higher rate
 - This trend is more pronounced in Europe, with the percentage of targeted companies announcing CEO departures amid activist pressure escalating in recent years (~20% on average)
 - Baseline CEO turnover for S&P 500 and STOXX 600 companies is between ~10 and ~12% per year, making clear that activists are driving greater levels of CEO change in a shorter period of time

Source: FactSet, Spencer Stuart, press reports and public filings as of 12/31/2021.

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; companies spun off as part of campaign process counted separately. Campaigns may feature multiple objectives; as such, percentages will not equal 100% if added up.

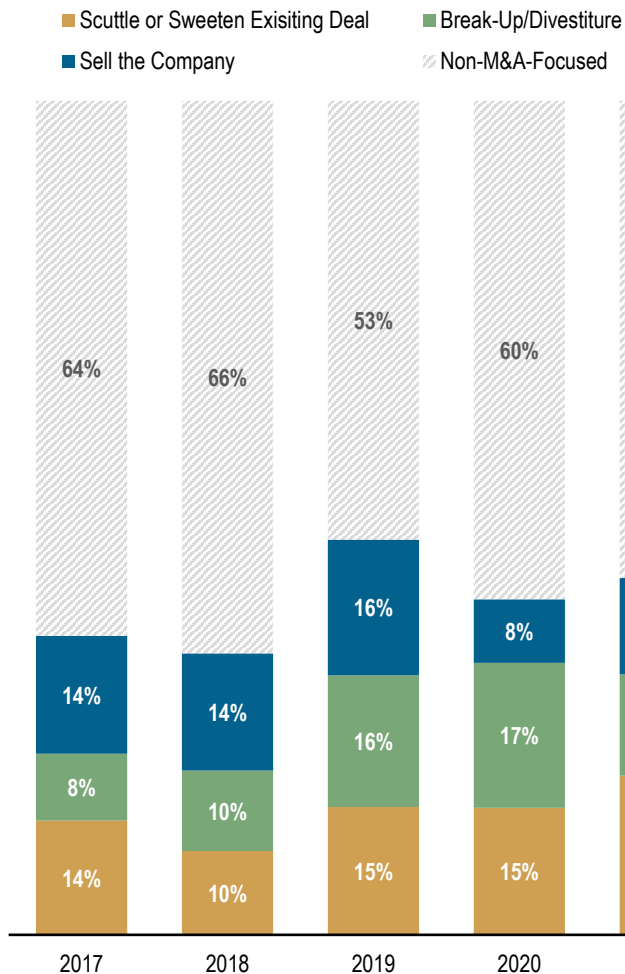
¹ 4-year average based on aggregate counts of campaign objectives.

² Based on announcements at targeted companies, including CEO change due to the sale of the company (excludes CEO change in relation to campaigns to scuttle/sweeten existing transactions).

Sustained Prominence of M&A-Related Campaigns Globally

The mix of M&A-related activism continued to shift towards challenging existing transactions in 2021

Prevalence of M&A Campaign Objectives by Type



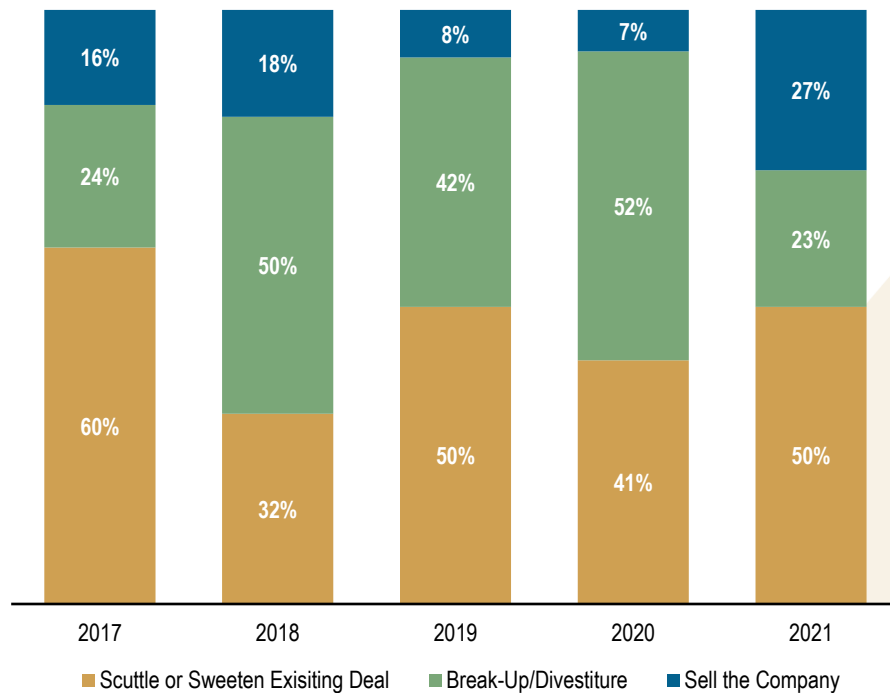
Notable Examples of Scuttle/Sweeten Campaigns Launched in 2021

Launch Date	Target / Counterparty	Activist(s)	Objectives	Activist Success?
9/21	to be acquired by ACCELERON MERCK	AVORO DRIFWIN FARALLON HOLOCENE	Group demanded shareholders reject Merck's \$180/share tender offer, as it undervalued Acceleron	✗ Transaction completed at initial price
9/21	to be acquired by NIPPO ENEOS Holdings	JCI OASIS orbis	Investor group opposed \$2.3bn tender offer by Nippo parent Eneos, citing significant undervaluation	✗ Proceeded with tender offer at initial price
1/21	to be acquired by PLURALSIGHT VISTA	EMINENCE CAPITAL	Eminence opposed the proposed acquisition at \$20.26/share, stating that it was inadequate	✓ Offer price increased by 23% from the initial bid
11/21	to acquire zendesk momentive	JANA PARTNERS LLC	JANA urged Zendesk to terminate its proposed acquisition of Momentive, stating the deal lacked financial merit	? Situation currently ongoing
5/21	to acquire CN Merck	TCI Fund Management	TCI demanded Company abandon bid amid regulatory uncertainty	✓ Deal abandoned following regulatory rejection of voting trust
5/21	to acquire HILTON GRAND VACATIONS DIAMOND Resorts	L&B	L&B criticized transaction rationale and argued Hilton was overpaying for Diamond Resorts	✗ Transaction completed

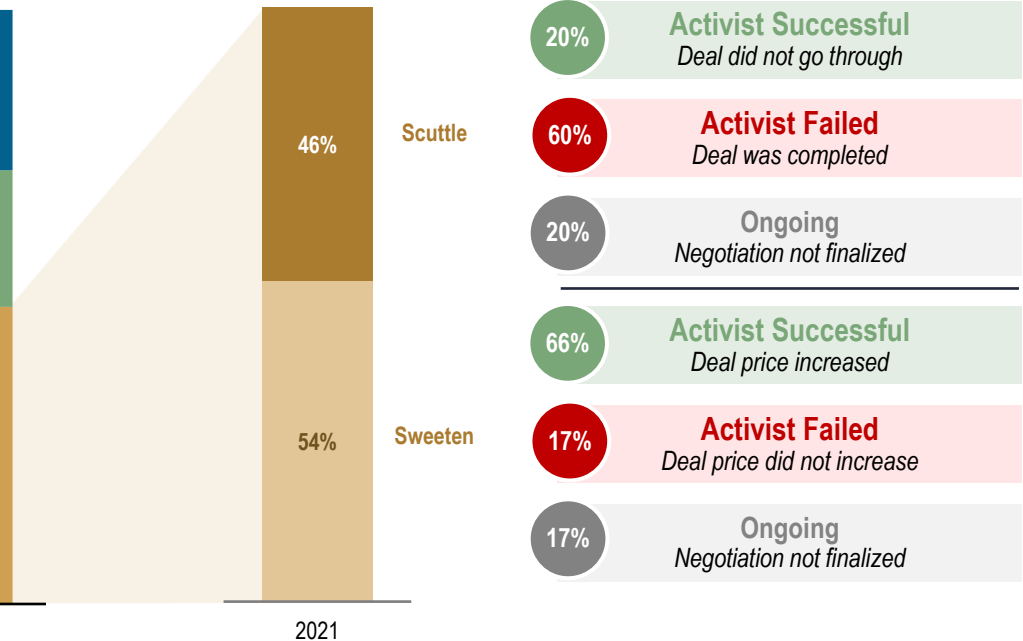
High Success Rate for Scuttle/Sweeten Campaigns in Europe



European M&A Campaign Objectives by Type



Scuttle/Sweeten Success



- In 2021, the mix of M&A-related activism has shifted towards opposing transactions or transaction terms
- However, Q4 saw more activists agitating for a sale at year-end – this uptick could be linked to difficulties in pushing for such thesis in the context of the pandemic

- Of the 2021 sweeten campaigns, activists have been successful in 67% of the situations, with another 17% still to be resolved; activists have been less successful in scuttling deals
- Shareholders are increasingly willing to overrule the leadership of the Company when it comes to transactions, suggesting that every M&A deal should have an activism plan

Key Development in Focus: Potential Impacts of Universal Proxy

The SEC's recent adoption of a universal proxy rule has the potential to significantly increase the number of contested Director elections in 2022 and beyond

Overview

- In November 2021, the SEC adopted a rule requiring parties in a contested election to use a universal proxy card listing all available candidates, **allowing investors to pick and choose which combination of candidates to vote for**
 - The change contrasts the existing binary proxy voting regime, in which investors must choose between company and dissenting shareholder proxy cards, which list only their respective nominees
 - The SEC has called this an “important aspect of shareholder democracy,” putting investors voting in person and by proxy on “equal footing”
- The new rules require Director nominees’ consent to be named and introduce a minimum solicitation requirement in which the activist must solicit the holders of shares representing at least 67% of voting power
- While the changes will not take effect until August 31, 2022, there is potential for activists to start demanding the use of universal proxies in advance of that date
 - Companies may find it more difficult to reach such requests, with mandatory use of universal proxies coming so soon

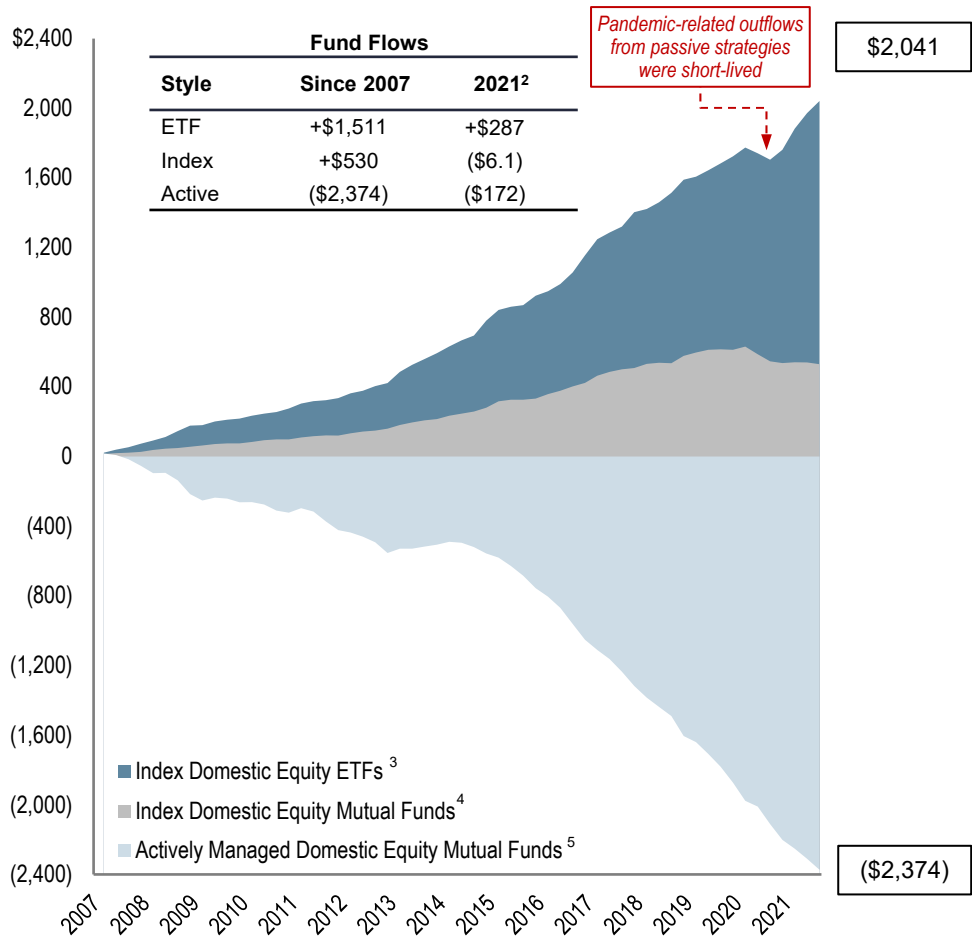
Key Takeaways

- Lower barriers to entry for nominations from both traditional activists as well as former founders/CEOs, employees and upstart ESG-focused funds
- Solicitation requirement (67% of voting power) is unlikely to be a deterrent given extreme concentration of most shareholder bases
- Individual Directors, rather than just the Company, may become more direct targets of a public activist campaign
- Unclear what the eventual impact on activist election success will be

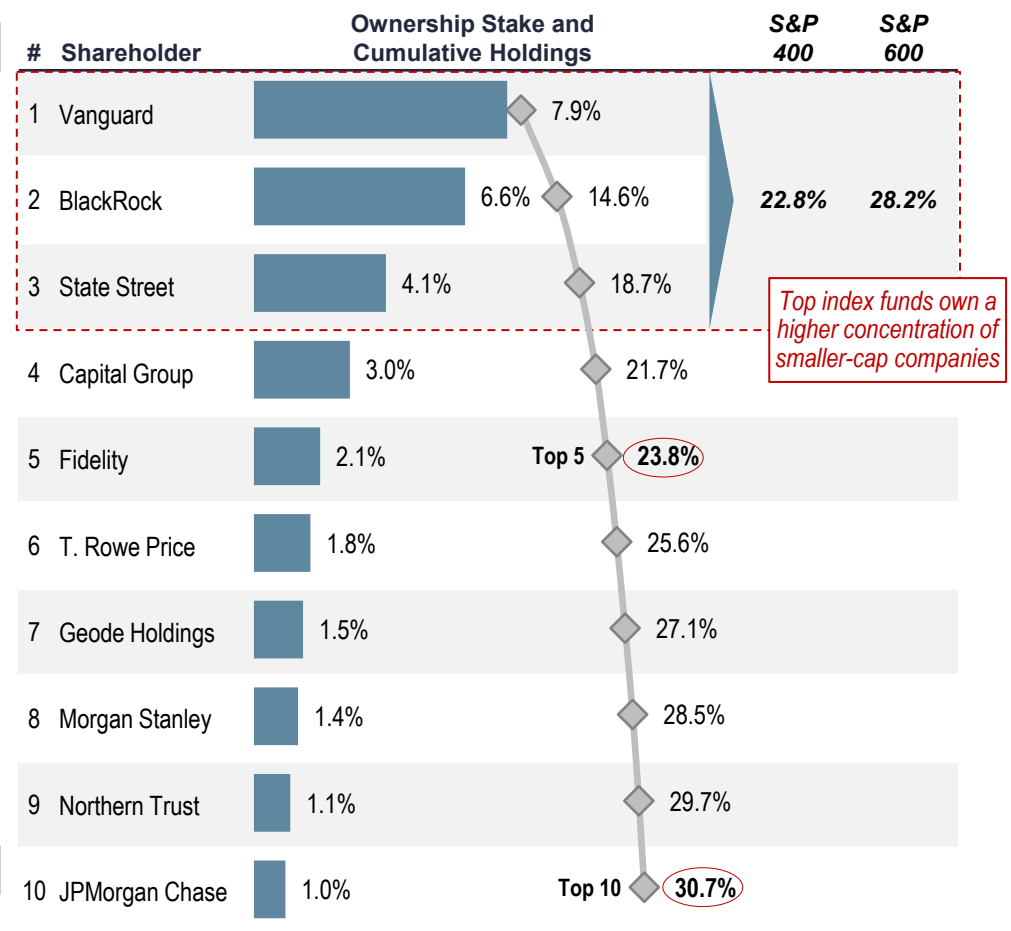
The Largest Owners of the U.S. Market

(\$ in billions)

Continued inflows into passive strategies have fueled ownership concentration in the “Big 3” index fund complexes, inviting an increasing level of scrutiny by regulators and other stakeholders

Cumulative Flows and Net Share Issuance¹

S&P 500 Top 10 Shareholders



Source: FactSet, P&I and Simfund.

¹ Equity mutual fund flows include net new cash flow and reinvested dividends. Data excludes mutual funds that invest primarily in other mutual funds.² Through Q3 2021.³ ETF distribution channel.⁴ All mutual index funds (excludes ETFs).⁵ All mutual funds that are not index funds.

Evolving Vote Policies at the Largest Index Institutions

Recently announced changes to BlackRock's voting policy, which follow a similar move from Vanguard, come at a time of increasing market scrutiny of the concentration of voting power at the largest index funds

- **In October 2021, BlackRock announced that, starting in January 2022, it would give certain of its institutional index investors a greater say in proxy voting by allowing them to vote their own shares at shareholder meetings**
 - Up to 40% of the \$4.8 trillion of index equity assets that BlackRock manages for clients will be eligible for this new approach
- **Historically, BlackRock Investment Stewardship (BIS) – an in-house group of governance and proxy voting specialists – has been responsible for all centralized voting decisions on behalf of all institutional clients**
 - The result of this practice was that, in many situations, BlackRock's entire position in a portfolio company would be voted as one large bloc
- **Under BlackRock's new approach, clients will have the option of:**
 - Using their own proxy voting policies and transmitting their votes using their own voting infrastructure;
 - Choosing from a menu of third-party proxy voting policies, with votes being cast in accordance with the selected policy;
 - Voting directly on individual resolutions or companies of their choice using BlackRock's voting infrastructure; or
 - Continuing the status quo approach of relying on BIS to cast votes in accordance with BlackRock's voting policies and infrastructure
- **BlackRock's shift comes nearly two years after Vanguard announced it would allow the asset managers sub-advising its active stock funds to make autonomous voting decisions**
 - As ~30% of Vanguard's equity assets were externally managed, this change transferred a significant degree of voting authority to its largest sub-advisors, including Wellington and PRIMECAP

ADOPTION & BROADER IMPACT WILL REMAIN TO BE SEEN

1. *Will BlackRock's voting power be reduced in upcoming proxy seasons?*
2. *Will clients elect to adopt this new, more flexible approach – in particular given the significant time and resources required?*
3. *Will this optionality be a competitive advantage for BlackRock?*
4. *Will other institutional investors with large index platforms (e.g., State Street, Invesco) adopt similar voting practices?*

Notable SEC Developments in 2021

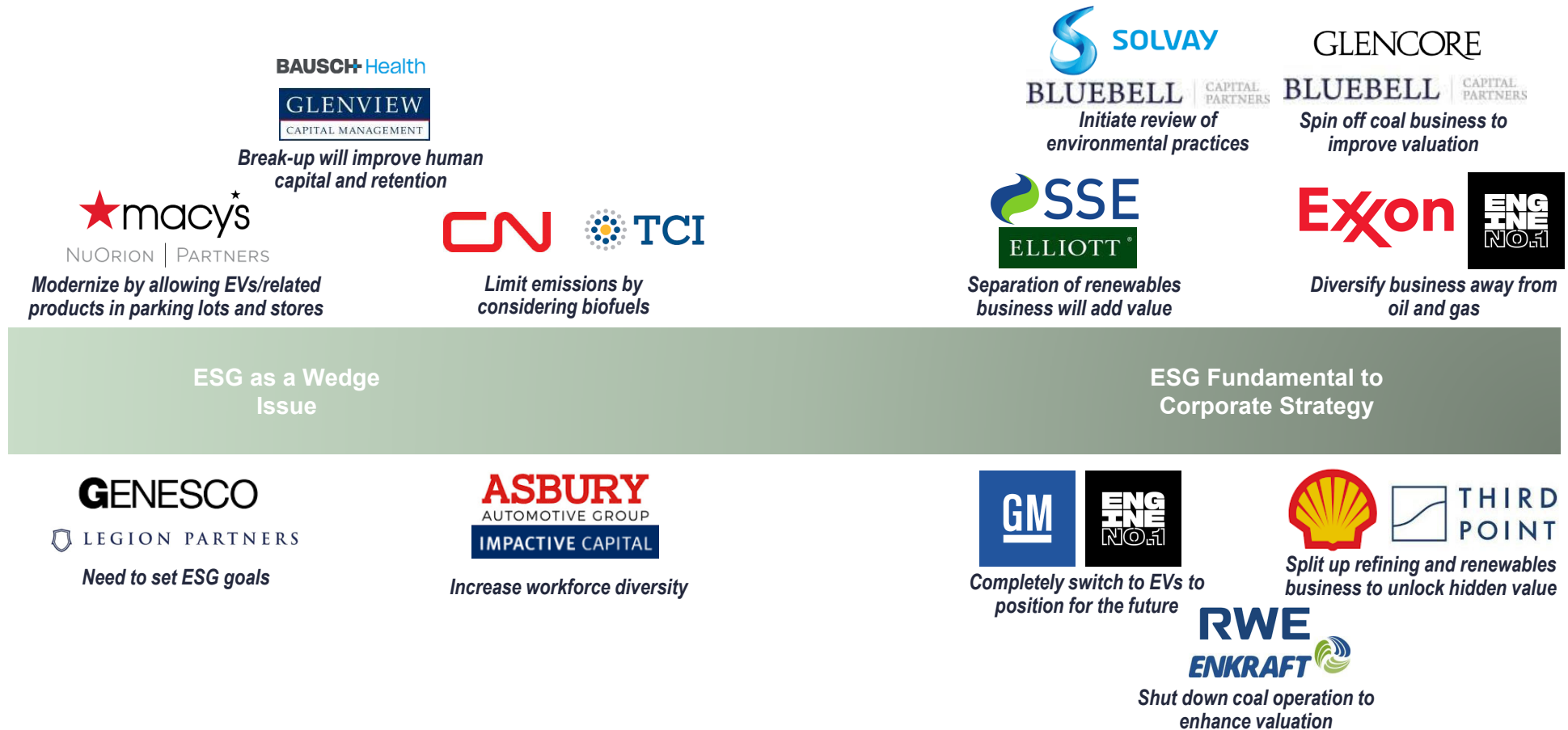
Recent actions from the SEC reflect an increased focus on climate change and other ESG disclosures as well as greater market transparency

Ownership Disclosure Requirements	<ul style="list-style-type: none"> In June 2021, SEC Chairman Gary Gensler announced that he had requested SEC staff propose changes to the Section 13(d) beneficial ownership requirements, including the possibility of accelerating the 10-day deadline that investors currently have to notify the market of >5% ownership <ul style="list-style-type: none"> Accelerating this deadline would force activists to disclose their stakes earlier, potentially giving target companies more time to formulate a response
Environmental Disclosure Requirements	<ul style="list-style-type: none"> In a July 2021 speech, Gensler discussed the SEC's focus on meeting increasing investor demand for greater climate risk disclosure, in particular "for consistent, comparable, and decision-useful disclosures" In September 2021, a sample letter from the SEC highlighted the approach it may take in scrutinizing environmental disclosures by issuers, including requests for quantified disclosure of capital expenditures on climate-related projects and carbon credits/offsets
Climate & Social Proposals on the Ballot	<ul style="list-style-type: none"> In November, the SEC issued guidance that should make it easier for shareholder proposals related to climate change and social issues to be included on proxy ballots <ul style="list-style-type: none"> The agency indicated companies should not exclude shareholder plans from proxy ballots simply on the basis that they may be unrelated to the business' competencies Company requests to withhold proposals thought to be "inappropriately intrusive" are now to be treated with additional skepticism
Reversal of Proxy Advisor Regulation	<ul style="list-style-type: none"> The SEC proposed an amendment to undo changes adopted in 2020 that had imposed stricter conditions on the ability of proxy advisors (ISS, Glass Lewis) to rely on exemptions from information and filing requirements <ul style="list-style-type: none"> Proxy advisors and investors alike expressed strong concerns about the possibility that these incremental conditions would impair the independence and timeliness of proxy voting advice These proposed amendments are not yet final, subject to a 30-day comment period and a final vote on adoption
Increased Transparency on Swap Positions	<ul style="list-style-type: none"> In December, the SEC proposed that "major security-based swap participants" be required to disclose derivative positions representing more than 5% of a class of equity securities <ul style="list-style-type: none"> Such changes would complicate position building for activists, as they are currently not required to file a 13D disclosing a position or intent if the stake is held in derivatives without owning any common share equity The proposal also includes new restrictions on when corporate insiders can sell stock, including a measure to disclose repurchase plans in more detail and more frequently

The Emerging Spectrum of ESG Activism

The varying degrees of ESG-oriented demands within a campaign reflect the rapid and broad escalation of ESG in activism in 2021

- ESG activism is expanding beyond dedicated funds, like Inclusive Capital and Impactive Capital, with several blue-chip activists incorporating ESG into 2021 campaigns



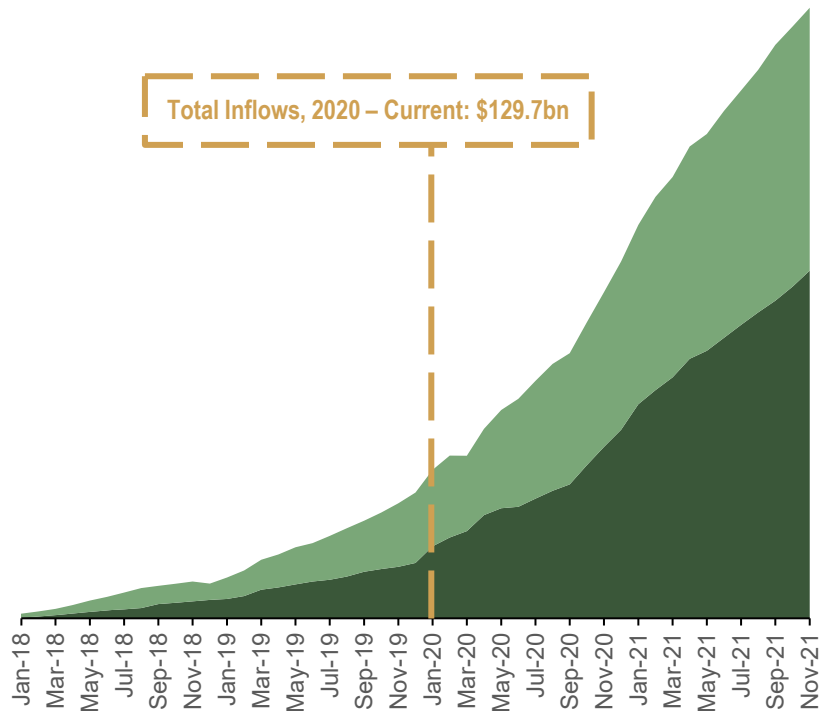
Record Year for U.S. ESG Fund Inflows

(\$ in billions)

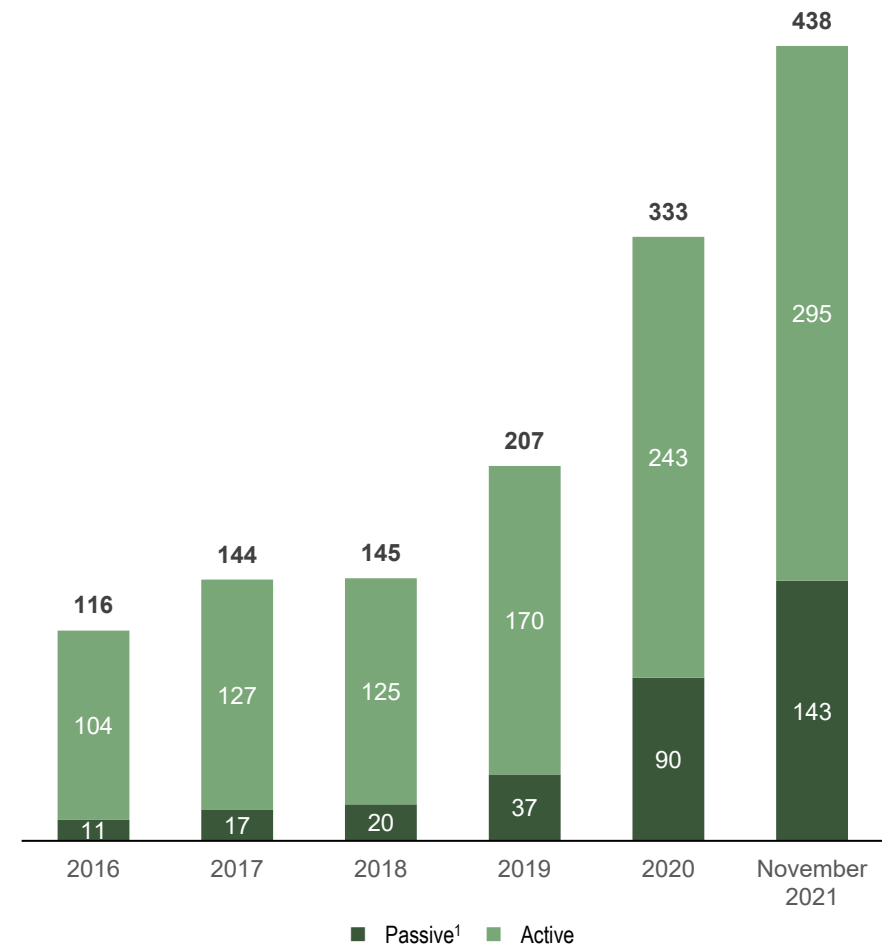
Flows into U.S. ESG mandate funds reached record levels in 2021, primarily driven by passive fund inflows

U.S. ESG Mandate Net Equity Fund Flows (\$bn), 2018 – November 2021

Cumulative U.S. ESG Mandate Net Equity Fund Flows		
Style	Since 2018	2021 YTD ²
Passive ¹	+\$93.0	+\$42.6
Active	+\$70.3	+\$25.3
Total	+\$164.5	+\$67.9



U.S. ESG Mandate Equity Fund AUM (\$bn), 2016 – November 2021



Key Questions for Activism in 2022

- 1** *Will the newly adopted universal proxy rule fuel a spike in dissident nominations, and will traditional activists or other players (ESG funds, employee groups and labor unions, former founders and executives, etc.) take more advantage?*
- 2** *What will the new permutations of ESG as an attack vector be, and which types of activists will deploy them?*
- 3** *Will pushes for sales and split-ups return to prominence, or will scuttle/sweeten activism remain the most common M&A theme?*
- 4** *Will a greater number of proxy fights arise and go to a final vote, or will negotiated settlements continue to predominate?*
- 5** *Will BlackRock's new voting policy invite other institutions to make similar changes, and what effect will this have on proxy voting?*

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