

LAZARD'S SHAREHOLDER ADVISORY GROUP

**Review of Shareholder Activism - Q1 2019**

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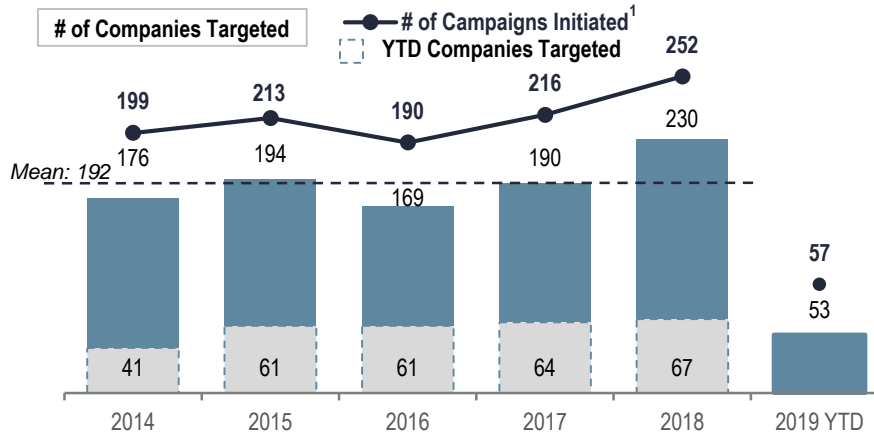
## Key Observations on the Activist Environment in Q1 2019

<p><b>1</b></p> <p><b>Slower Pace than Record 2018, but In Line with Historical Levels</b></p>	<ul style="list-style-type: none"> <li>• Q1 2019's campaign activity (57 new campaigns against 53 companies) was down year-over-year relative to 2018's record pace, but in line with multi-year average levels</li> <li>• Capital deployed in Q1 2019 (\$11.3bn) was in line with recent quarters, and the top 10 activists had a cumulative \$75.5bn deployed in public activist positions (new and existing)<sup>1</sup> at the end of the quarter</li> <li>• Starboard overtook Elliott as the most prolific activist in Q1 2019, launching seven new campaigns</li> </ul>
<p><b>2</b></p> <p><b>Activism's Transactional Focus Continued</b></p>	<ul style="list-style-type: none"> <li>• Transaction-focused campaigns were by far the most common in Q1 2019, with an M&amp;A-related objective arising in nearly 50% of all new campaigns             <ul style="list-style-type: none"> <li>– Pushes to sell the company (e.g., Caesars, Zayo) or engage in break-up or divestiture transactions (e.g, Dollar Tree, eBay) were the most frequent M&amp;A objectives</li> <li>– Attempts to scuttle or sweeten existing deals were relatively less frequent than in prior quarters</li> </ul> </li> </ul>
<p><b>3</b></p> <p><b>Numerous Board Seats in Play Heading into Proxy Season</b></p>	<ul style="list-style-type: none"> <li>• Activists won 39 seats in Q1 2019,<sup>2</sup> down from a record-breaking 65 in Q1 2018             <ul style="list-style-type: none"> <li>– All Board seats won were secured via settlements, as only three campaigns for Board seats (all international) went to a final vote</li> <li>– Settlements included notable examples in the U.K. (Hammerson) and Japan (Olympus)</li> </ul> </li> <li>• Q1 2019 saw a notable surge in long slate nominations, with 10 long slates nominated, accounting for 77 Board seats sought</li> <li>• Heading into the 2019 proxy season, 103 Board seats remain in play</li> </ul>
<p><b>4</b></p> <p><b>Continued Robust Activity Outside the U.S.</b></p>	<ul style="list-style-type: none"> <li>• Campaigns outside the U.S. continued to account for ~33% of global activity             <ul style="list-style-type: none"> <li>– In Europe, activists primarily focused on catalyzing change at their existing campaigns (e.g., Barclays, EDP, Hammerson, Pernod Ricard)</li> <li>– ValueAct's settlement for Board seats at Olympus and the defeat of Elliott's proposals at Hyundai Motor Company and Hyundai Mobis indicate continued mixed results for U.S. activists in Asia</li> <li>– Heightened capital deployment in Canada (e.g., TransAlta, Methanex), accounting for 10% of the global total</li> </ul> </li> </ul>
<p><b>5</b></p> <p><b>Active Managers Taking Vocal Approach to New Heights</b></p>	<ul style="list-style-type: none"> <li>• Wellington Management switched its 13G filing to a 13D and publicly opposed Bristol-Myers Squibb's \$74bn acquisition of Celgene             <ul style="list-style-type: none"> <li>– Starboard separately opposed the deal, but withdrew its campaign after the deal garnered proxy advisor support</li> </ul> </li> <li>• Neuberger Berman twice intervened in activist campaigns (Ashland Global, SeaChange International) to broker Board refreshment deals and avoid proxy fights</li> </ul>
<p><b>6</b></p> <p><b>Passive Managers Urge Focus on Culture and Purpose</b></p>	<ul style="list-style-type: none"> <li>• State Street and BlackRock released letters refining their ESG principles to include corporate culture and purpose</li> <li>• Comments from passive managers come amid continued inflows into low-cost investment strategies and increasing shareholder concentration</li> </ul>

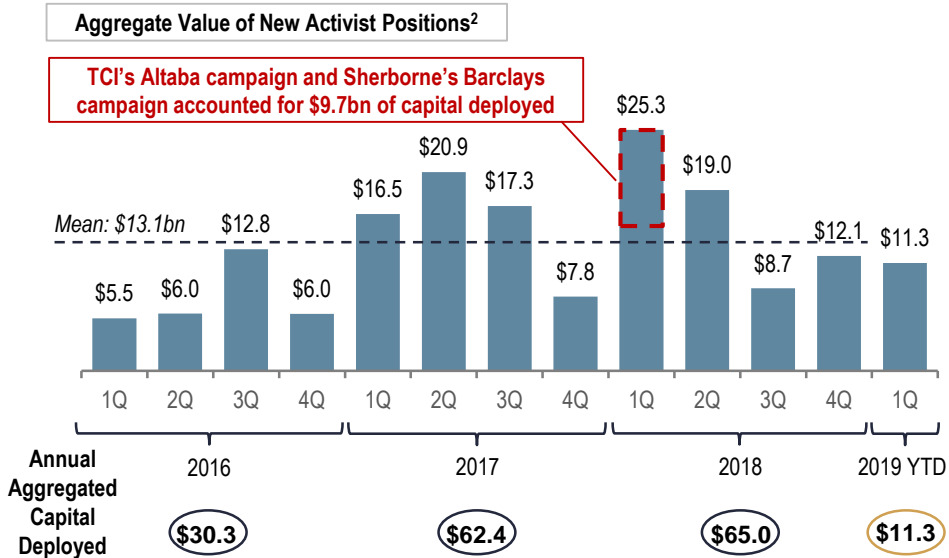
# 1 Campaign Activity and Capital Deployment

(\$ in billions)

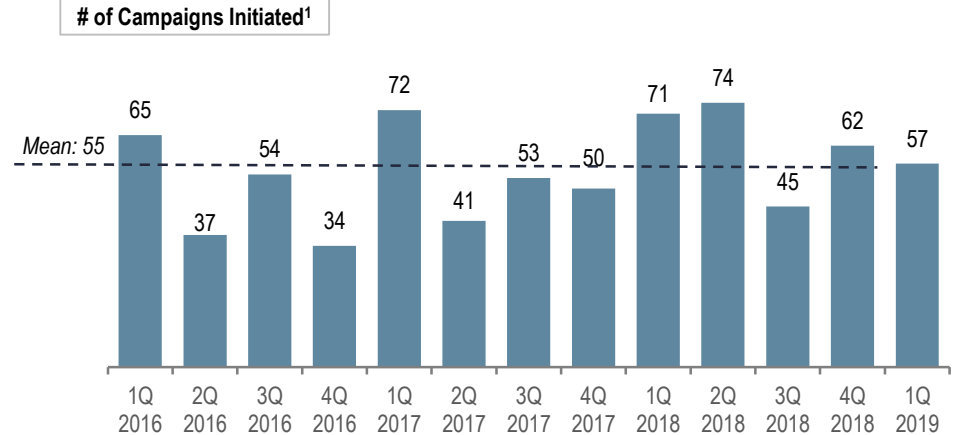
## Annual Campaign Activity



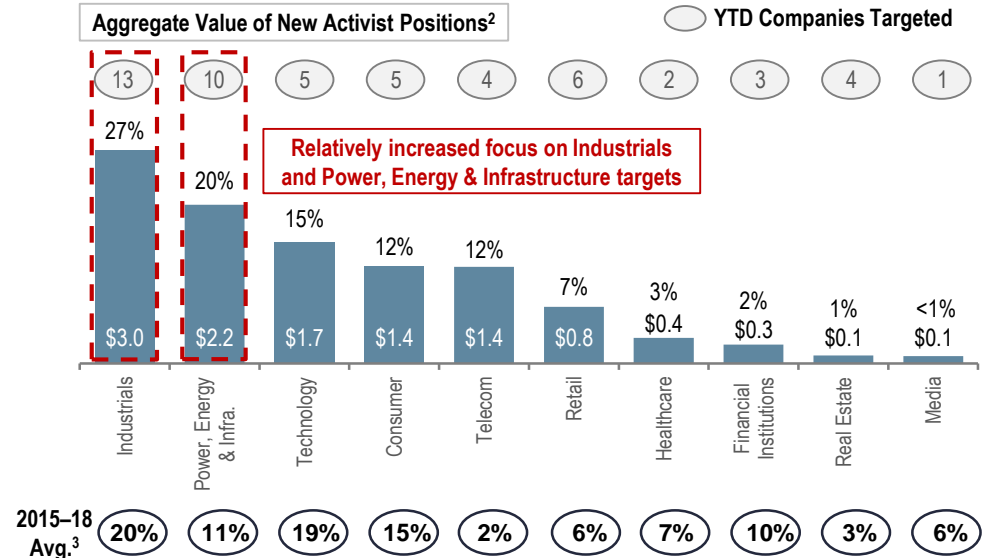
## Capital Deployment in New Campaigns



## Quarterly Campaign Activity
































## Capital Deployment by Sector in 2019 YTD



# 1 Notable Q1 2019 Public Campaign Launches and Developments—United States

(\$ in billions)
































Launch Date	Company / Market Cap	Activist	Highlights	Launch Date	Company / Market Cap	Activist	Highlights
3/19	 \$1.9	  	<ul style="list-style-type: none"> <li>Legion, Ancora and Macellum nominated 16 Directors, blaming poor governance and management for the Company's recent performance</li> </ul>	2/19	 \$81.4	 	<ul style="list-style-type: none"> <li>Starboard and Wellington separately came out against the Company's planned \$74bn acquisition of Celgene, citing risks inherent in the deal</li> <li>Starboard withdrew its campaign after ISS and Glass Lewis recommended in favor of the deal</li> </ul>
3/19	 \$41.5		<ul style="list-style-type: none"> <li>Land and Buildings nominated its Founder &amp; CIO Jonathan Litt to Marriott's Board, looking for the Company to divest brands and return capital to shareholders</li> </ul>	1/19 <sup>1</sup>	 \$7.2	    	<ul style="list-style-type: none"> <li>Criticizing Board for seeking bankruptcy rather than other alternatives, BlueMountain nominated 13 Directors to replace entire Board</li> <li><i>Post 3/31 update: PG&amp;E announced new CEO and 10 new Board members; while Knighthead, Redwood and Abrams have supported the announcement, BlueMountain has not made a public statement</i></li> </ul>
3/19	 \$7.4		<ul style="list-style-type: none"> <li>Barington sent a letter to the Company urging it to sell its Victoria's Secret brand and improve its governance</li> <li>L Brands was reportedly engaging a search firm to help it identify new independent Directors</li> </ul>	1/19	 \$31.7	 	<ul style="list-style-type: none"> <li>Elliott sent a letter to eBay's Board outlining a five-step plan for value creation; Starboard was separately reported to have been active at the Company since October 2018</li> <li>eBay settled with Elliott for two Board seats, including one Elliott representative, and Starboard for one Board seat; the Company announced an operational and strategic review</li> </ul>
2/19	 \$5.8		<ul style="list-style-type: none"> <li>Icahn filed a 13D, saying that Caesars needed to conduct a strategic review ending in a sale of the Company</li> <li>Caesars and Icahn settled to appoint three Icahn representatives to the Board, with the potential to add a fourth</li> </ul>	1/19	 \$23.3		<ul style="list-style-type: none"> <li>Starboard nominated seven Directors and criticized the Company's Family Dollar acquisition</li> <li>Dollar Tree later announced a \$2.7bn goodwill impairment on Family Dollar and plans to close/rebrand ~600 stores</li> <li><i>Post 3/31 update: On April 5, Starboard announced the withdrawal of its nominations</i></li> </ul>
2/19	 \$1.3		<ul style="list-style-type: none"> <li>The Company announced a \$200 strategic investment from Starboard and the appointment of Starboard CEO Jeff Smith as Chairman and an additional new Director</li> <li>Founder and Director John Schnatter later agreed to step down from the Board and the Company appointed three new independent Directors</li> </ul>	7/18 <sup>2</sup>	 \$5.1	 	<ul style="list-style-type: none"> <li>In the midst of a proxy fight with Cruiser, Ashland announced an agreement with Neuberger Berman to appoint two new independent Directors with input from Neuberger and other investors</li> <li>Cruiser later withdrew its slate and settled for rights to be consulted on the new appointments</li> </ul>

Source: FactSet, press reports and public filings as of 3/31/2019.

1 Refers to initial announcement of BlueMountain's campaign. Campaign by Knighthead, Redwood Capital Management and Abrams Capital launched in March 2019 via 13D filing.  
2 Refers to initial announcement of Cruiser's campaign.

# 1 Notable Q1 2019 Public Campaign Launches and Developments—Rest of World

(\$ in billions)

Launch Date	Company / Market Cap	Activist	Highlights	Launch Date	Company / Market Cap	Activist	Highlights
3/19	 \$1.9 	 	<ul style="list-style-type: none"> <li>Mangrove announced plans to nominate five Directors to TransAlta's Board the same day as the Company received a CAD \$750m strategic investment from Brookfield Renewable Partners</li> <li>Mangrove questioned the terms of the Brookfield investment and threatened to scuttle the deal</li> </ul>	5/18	 \$12.0 		<ul style="list-style-type: none"> <li>Olympus announced that it invited a ValueAct Partner to join its Board as part of a new "transformation plan" meant to "accelerate shareholder value creation"</li> </ul>
12/18	 \$44.9 		<ul style="list-style-type: none"> <li>Pernod Ricard announced the appointment of a Lead Independent Director and new strategic plan, the latter of which Elliott thought was insufficient</li> </ul>	4/18	 \$4.8 		<ul style="list-style-type: none"> <li>Hammerson settled with Elliott, appointing two new independent Directors and establishing a new Investment and Disposal Committee</li> </ul>
10/18	 \$13.2 		<ul style="list-style-type: none"> <li>Elliott released a presentation calling on EDP to reject China Three Gorges' takeover offer and instead divest assets to reinvest in its renewables business</li> <li>EDP announced a strategic update with plans for €6bn in various divestitures, and plans to invest in renewables</li> </ul>	4/18	 \$31.0 		<ul style="list-style-type: none"> <li>Elliott proposals for dividends and new independent Directors were rejected at Hyundai Motor Company and Hyundai Mobis</li> </ul>
9/18	 \$8.7 		<ul style="list-style-type: none"> <li>CIAM criticized Scor's Chairman for the Company's decision to sue Covéa over its abandoned takeover offer</li> <li>CIAM urged shareholders to remove Scor's Chairman and one other Board member, as well as vote down the Chairman's compensation package</li> </ul>	3/18	 \$49.8 		<ul style="list-style-type: none"> <li>Sherborne formally nominated Founder Edward Bramson to Barclays' Board</li> <li>Barclays announced the retirement of three Directors and resignation of its investment bank head</li> <li>Sherborne separately drew criticism for its use of an "equity collar" in building its stake</li> </ul>
8/18	 \$19.5 		<ul style="list-style-type: none"> <li>King Street said it planned to nominate a majority slate to Toshiba's Board to aid the Company in its turnaround efforts</li> </ul>	3/18	 \$13.6 		<ul style="list-style-type: none"> <li>Vivendi continued its campaign to remove five Elliott-backed Directors at the Company</li> <li>Vivendi eventually withdrew its nominees and shareholder proposals the day of the annual meeting and offered its support for the Company's CEO</li> </ul>

# 1 Top 10 Activists by Market Value of Current Activist Positions

(\$ in billions)

Despite the slower start to the year, the top 10 activists still have \$75.5bn deployed in existing campaigns

Activist	Market Value of Current Activist Positions <sup>1</sup>	New Campaigns 2019 YTD <sup>2</sup>	2019 Target Countries <sup>3</sup>	Selected Recent Targets
Elliott	\$15.2 (\$1.7 in 2019)	4	USA, Netherlands	ebay, QEP, edp, SLM SOLUTIONS, Intertrust
ValueAct	\$10.0	--	--	AES, citi, OLYMPUS, UNIFI
Cevian	\$9.6 (\$0.6 in 2019)	1	Ireland	CRH
Trian	\$8.7	--	--	nvent, PPG
TCI	\$8.0	--	--	21ST CENTURY FOX
Third Point	\$7.0	--	--	PayPal, Campbell's
Icahn	\$6.1 (\$0.5 in 2019)	1	USA	CAESARS, DELL
Starboard	\$4.2 (\$1.0 in 2019)	7	USA	Bristol-Myers Squibb, ebay, PAPA JOHN'S, gpc applied technologies, zayo, DOLLAR TREE
Pershing Square	\$4.0	--	--	STARBUCKS, United Technologies, HILTON WORLDWIDE
Mantle Ridge	\$2.7	--	--	CSX

2019 Activist Positions      Market Value of Activist Positions Launched in 2013-2018

Source: FactSet, press reports and public filings as of 3/31/2019.

Note: All data is for campaigns conducted globally at companies with market capitalizations greater than \$500 million at time of campaign announcement.

1 Based on the market value of activist positions initiated since 2013 in which the activist still holds a stake. Includes publicly disclosed common stock positions only.

2 Number of new campaigns launched, includes positions both open and closed.

3 Based on country of company's headquarters.





## 2 The Activist Role in M&A in Q1 2019

46%<sup>1</sup> of campaigns launched in Q1 2019 were M&A-driven, with pushing for a sale being the most common M&A objective

### Sell the Company

Agitate for sale of target or encourage industry consolidation





39%

Target / Activist	M&A Thesis
	Icahn called for a strategic review and a sale of the Company; Caesars later settled with Icahn for three Board seats and was reportedly initiating merger talks
	Elliott offered to acquire QEP for \$2.1bn; in response, the Company announced that it would conduct a full strategic review
	Sachem Head called on the Company to sell itself; Zayo announced a strategic review, after which Starboard said the Company needed to focus on the review and that a sale may be its best option
	Kimmeridge called on capital return and improved operations and the potential sale of the Company to "achieve scale" in its key operating areas

### Break-Up / Divestiture

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





38%

Target / Activist	M&A Thesis
	Starboard urged the Company to divest its Family Dollar business; Dollar Tree's Board committed to keeping the chain, but announced the rebranding of 200 stores, closing of 390 more and the renovation of another 1,000
	Elliott called on eBay to divest its Classifieds and StubHub businesses, which Starboard had pushed for privately; the Company settled and launched a strategic review
	Elliott called for divestitures at the Company, with reinvestments in renewables; EDP later announced divestitures and stake sales, but declined to divest its stake in EDP Brasil, one of Elliott's demands
	Land & Buildings wanted Marriott to divest brands and return capital to shareholders; Marriott later announced plans to open an additional 1,700 hotels

### Scuttle or Sweeten Existing Deals

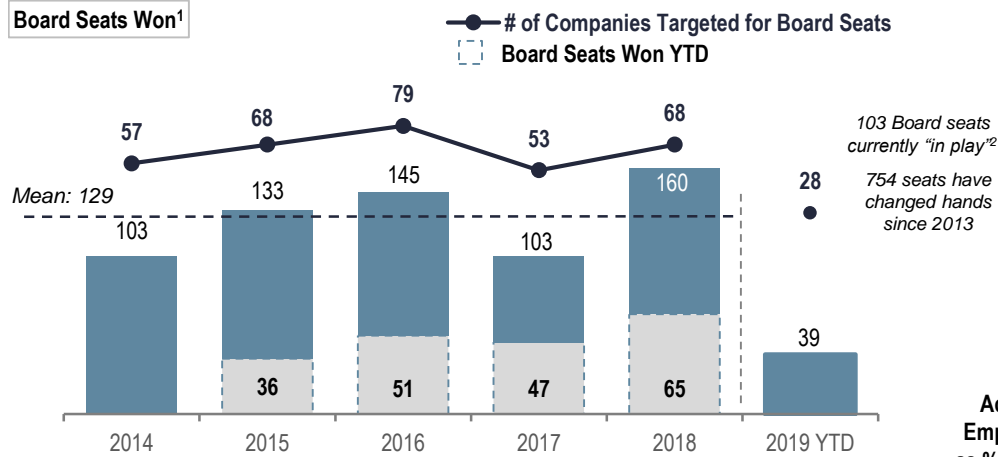
Entry into live M&A situation to improve deal terms or block an ill-perceived deal from proceeding

23%

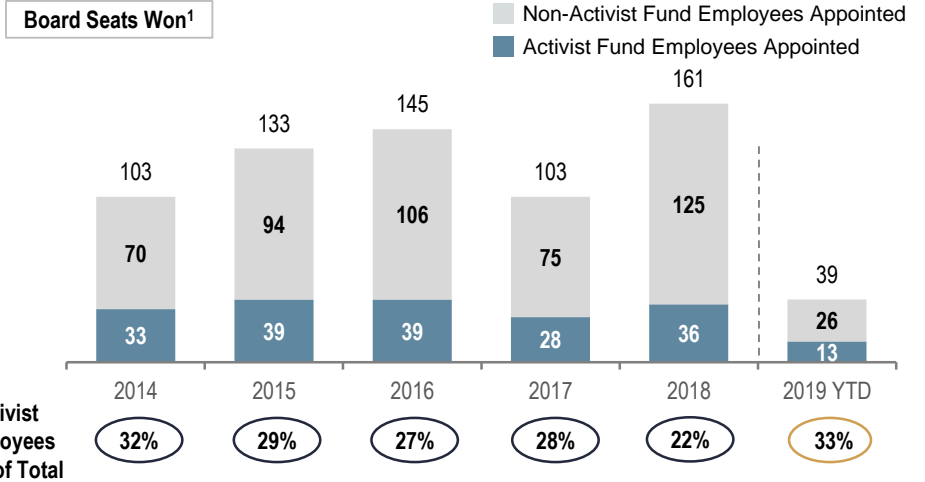
Target / Activist	M&A Thesis
	Starboard and Wellington opposed Bristol-Myers' acquisition of Celgene, citing potential risks in Celgene's drug pipeline and low upside
	Paulson opposed Newmont's merger with Goldcorp, citing an excessive premium; Paulson dropped its opposition after Newmont announced a special dividend
	Petrus opposed Medco's acquisition of Ophir, saying it undervalued the Company; shareholders approved the acquisition after the takeover price was increased
	Denbury abandoned its takeover of Penn Virginia after Mangrove and Contrarian said the offer undervalued the Company and introduced additional risk

### 3 Board Seats Won

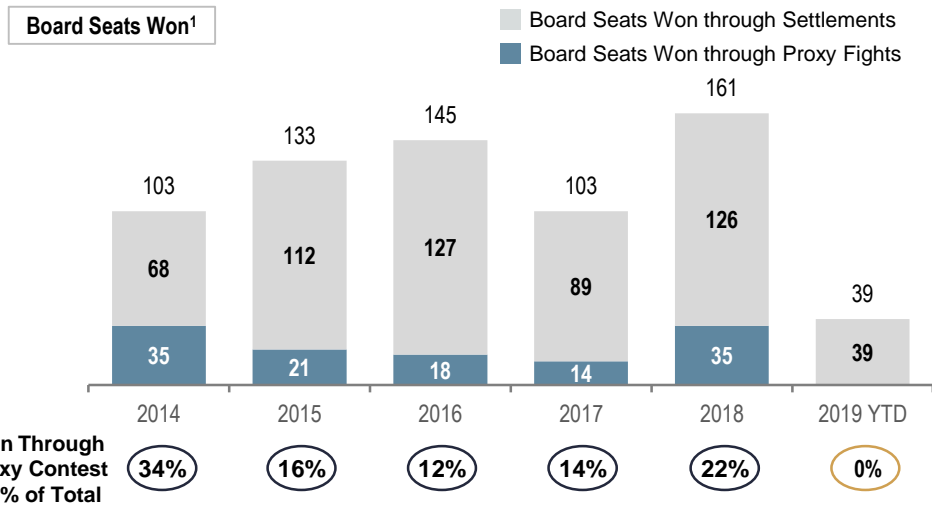
#### Board Seats Won<sup>1</sup>



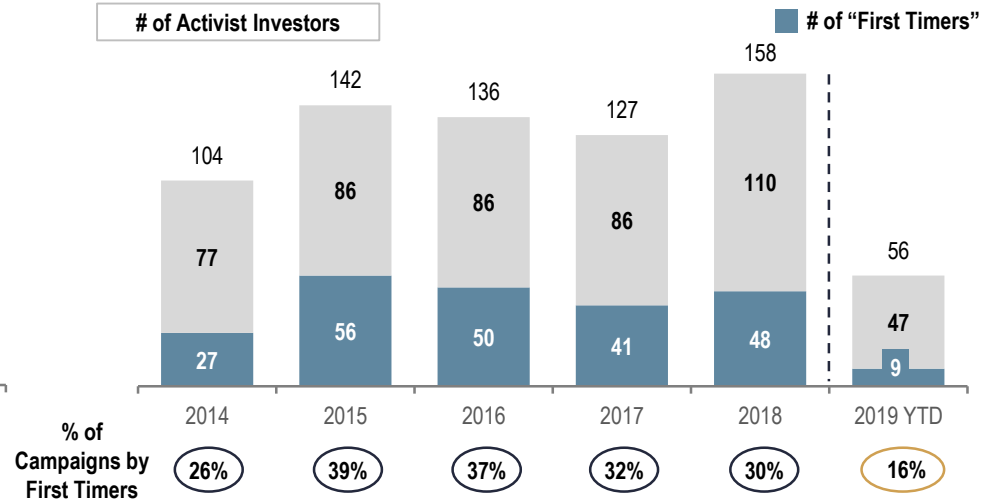
#### Non-Activist Employees vs. Activist Employees Appointed as Directors



#### Settlements vs. Proxy Contests



#### Investors Launching Activist Campaigns



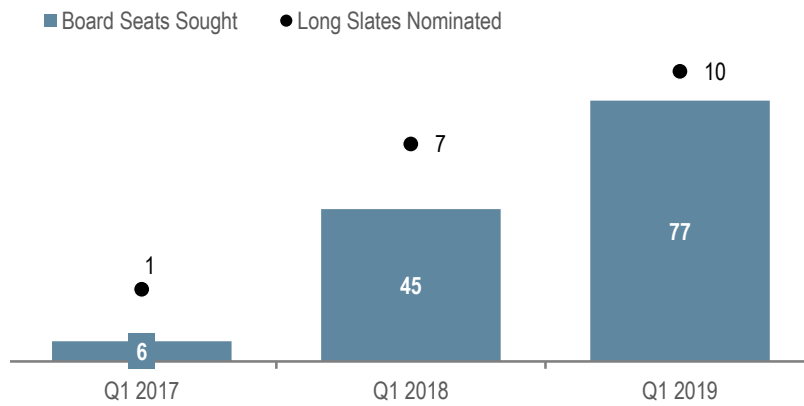
Source: FactSet, press reports and public filings as of 3/31/2019.  
 Note: All data is for campaigns conducted globally by activists at companies with market capitalizations greater than \$500 million at time of campaign announcement.  
 1 Represents Board seats won by activists in respective year, regardless of the year in which the campaign was initiated.  
 2 Board seats "in play" includes currently announced proxy contests at upcoming shareholder meetings as of 3/31/2019.



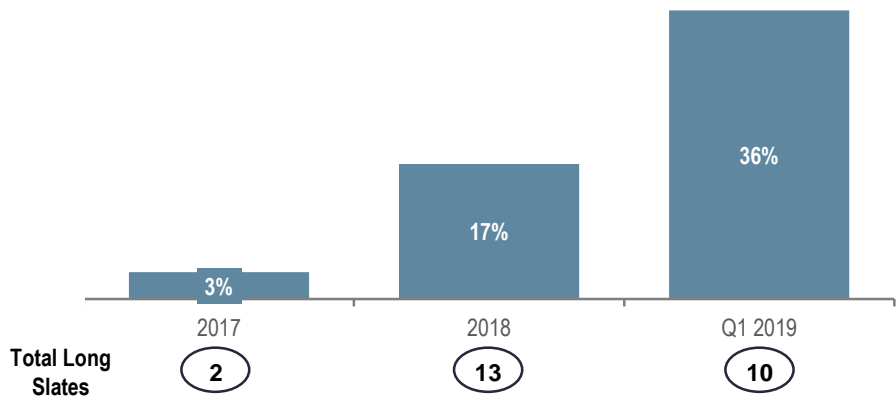
### 3 Long Slate Nominations

Q1 2019 was one of the busiest quarters ever for long slate nominations, signaling that activists are increasingly emboldened when demanding Board change

Long Slates Nominated and Board Seats Sought



Long Slate Campaigns, Percentage of All Board Change Campaigns



Q1 2019 Long Slates

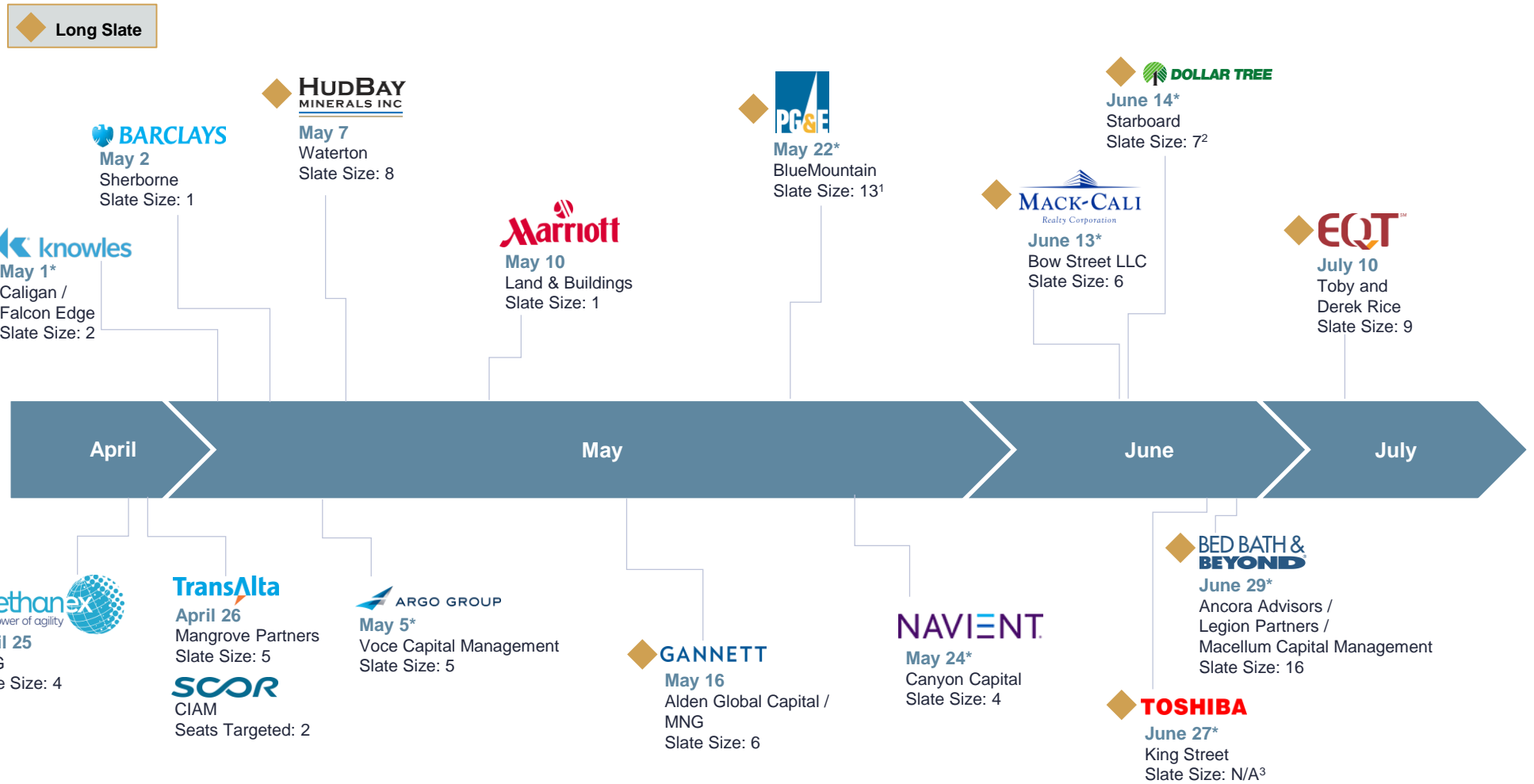
Company	Activist(s)	Seats Sought	Seats Won
<b>BED BATH &amp; BEYOND</b>	Ancora Advisors / Legion Partners / Macellum Capital	16	Ongoing
<b>PG&amp;E</b>	BlueMountain Capital	13	Ongoing <sup>1</sup>
<b>EQT</b>	Derek and Toby Rice	9	Ongoing
<b>HUDBAY MINERALS INC</b>	Waterton	8	Ongoing
<b>DOLLAR TREE</b>	Starboard Value	7	Ongoing <sup>2</sup>
<b>GANNETT</b>	Alden Global Capital / MNG	6	Ongoing
<b>MACK-CALI Realty Corporation</b>	Bow Street LLC	6	Ongoing
<b>Magellan HEALTHCARE</b>	Starboard Value	6	4
<b>gcp applied technologies</b>	Starboard Value	5	2
<b>TOSHIBA</b>	King Street Capital Management	-- <sup>3</sup>	Ongoing

Source: FactSet, press reports and public filings as of 3/31/2019.

- Note: Long slates defined as instances where an activist nominated Directors to replace 50%-plus of the incumbent Board.
- BlueMountain has not yet made a public statement regarding PG&E's announcement of a new CEO and 10 new Directors.
  - On April 5, 2019, Starboard announced the withdrawal of its nominations.
  - King Street has only indicated that it intends to nominate a majority slate.

### 3 Upcoming Notable Potential Proxy Votes

The 103 seats in play—including 65 as part of long slates—at the end of Q1 2019 portend a busy proxy season ahead



Source: FactSet, press reports and public filings as of 3/31/2019.

Note: Board seats "in play" includes currently announced proxy contests at upcoming shareholder meetings as of 3/31/2019. Total does not include campaigns where an activist has signaled an intention to nominate Directors but has not named the size of the slate. Long slates defined as instances where an activist nominated Directors to replace 50%-plus of the incumbent Board.

\* Denotes estimated date based on historical precedent.

<sup>1</sup> BlueMountain has not yet made a public statement regarding PG&E's announcement of a new CEO and 10 new Directors.

<sup>2</sup> On April 5, 2019, Starboard announced the withdrawal of its nominations.

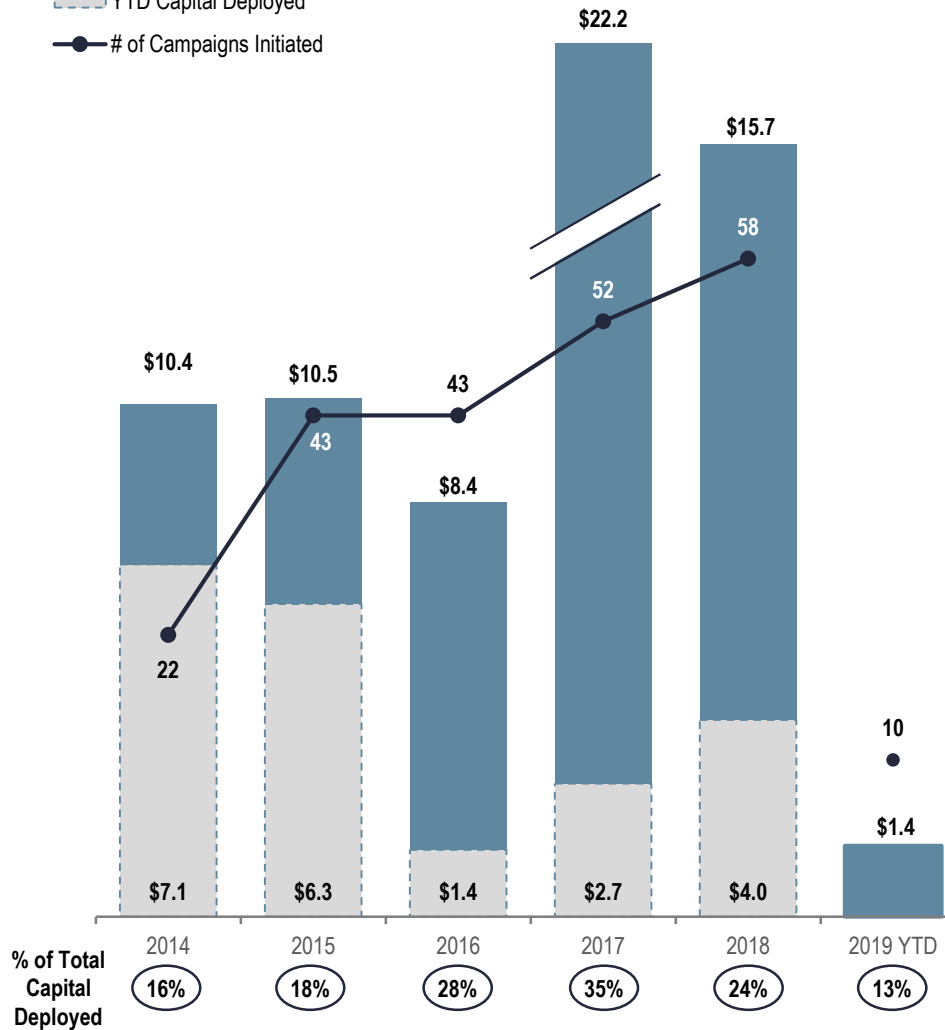
<sup>3</sup> King Street has only indicated that it intends to nominate a majority slate.

## 4 Q1 2019 International Shareholder Activism

(\$ in billions)

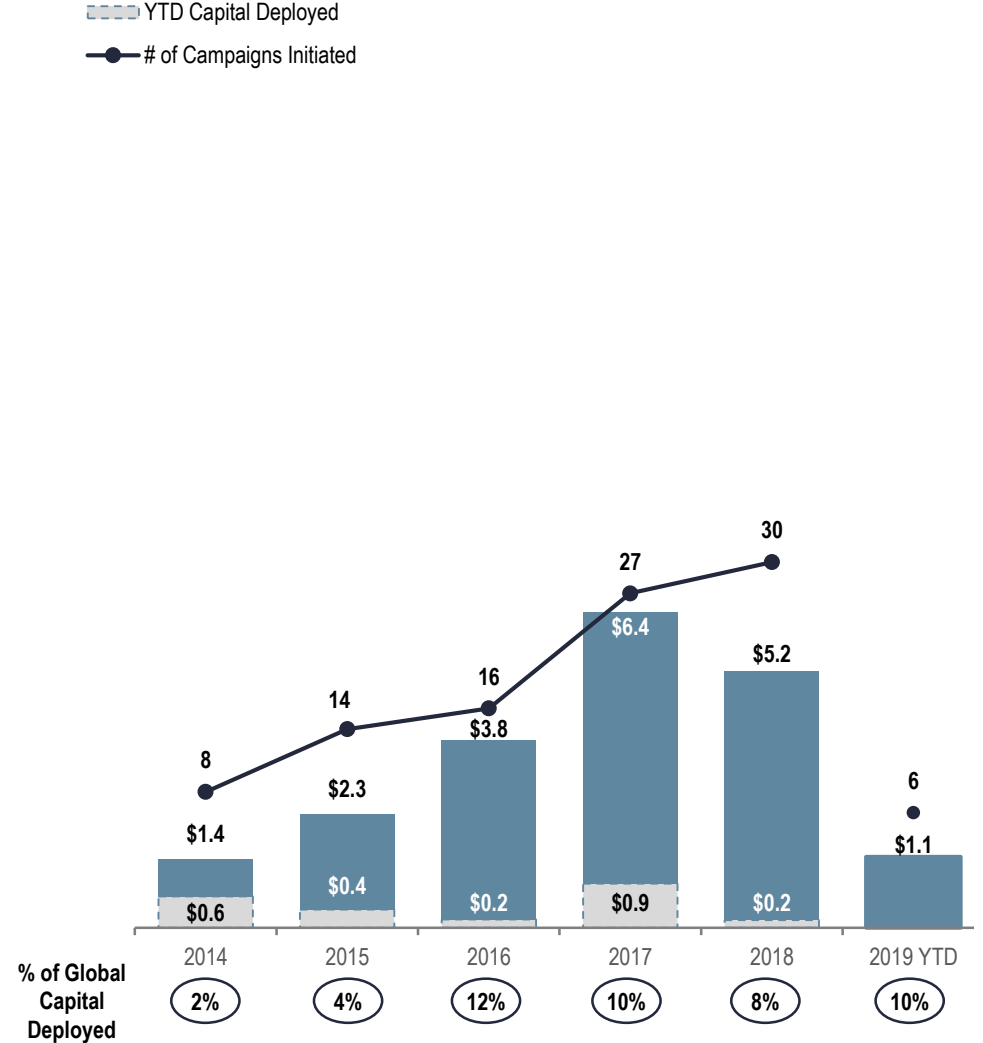
### Activism Against European Companies<sup>1</sup>

YTD Capital Deployed  
# of Campaigns Initiated



### Activism Against APAC Companies<sup>1</sup>

YTD Capital Deployed  
# of Campaigns Initiated



## 4 Shareholder Activism in Europe—Limited New Campaigns, Not Limited Activity

While there were limited new targets in Q1 2019 in Europe, activists have raised their voices on existing campaigns



STRATEGIC NARRATIVE		
		<ul style="list-style-type: none"> <li>Elliott published a White Paper</li> <li>EDP announced Strategic Update</li> </ul>
		<ul style="list-style-type: none"> <li>Appointed a Lead Independent Director</li> <li>Announced next phase of strategic plan</li> </ul>
		<ul style="list-style-type: none"> <li>Cevian disclosed 3% stake in CRH</li> </ul>
	 <small>ARTISAN PARTNERS</small>	<ul style="list-style-type: none"> <li>Announced further cost-cutting measures</li> </ul>
CONTESTED VOTES		
		<ul style="list-style-type: none"> <li>Vivendi sought to remove five Elliott-backed Directors, but withdrew its nominees when support was limited</li> </ul>
		<ul style="list-style-type: none"> <li>Nominated founder Ed Bramson to Board</li> </ul>
		<ul style="list-style-type: none"> <li>Agitating for removal of Chairman and one Board member</li> </ul>
SETTLEMENTS AND BOARD CHANGES		
		<ul style="list-style-type: none"> <li>Entered into a relationship agreement</li> </ul>
	 <b>OASIS</b>	<ul style="list-style-type: none"> <li>Announced the appointment of two dissident Directors</li> </ul>
	 <small>ACTIS MercoSpartan LLC</small>	<ul style="list-style-type: none"> <li>Settled for two independent Directors</li> </ul>
		<ul style="list-style-type: none"> <li>Appointed a dissident Director to Board</li> </ul>
		<ul style="list-style-type: none"> <li>Appointed C. Gardell as a member of the Nomination Board<sup>1</sup></li> </ul>
M&A AND DIVESTITURES		
	 <b>assenagon</b>	<ul style="list-style-type: none"> <li>Discussions of merger with Commerzbank / shareholders expressing opinions going both ways</li> </ul>
		<ul style="list-style-type: none"> <li>Further divestment of assets (Herta)</li> </ul>
	 <small>ARTISAN PARTNERS</small>	<ul style="list-style-type: none"> <li>Announced merger with DSV</li> </ul>

Source: FactSet, press reports and public filings as of 3/31/2019.

Note: All data is for campaigns conducted in Europe at companies with market capitalizations greater than \$500 million at time of campaign announcement.  
 1 Not a member of the Board, but a member of the shareholder-comprised Nomination Board. Cevian requested a Nomination Board position after disclosing its investment.

## 5 Active Managers Increasing Engagement: Wellington and Neuberger Berman

Recent actions by Wellington and Neuberger Berman signal that active managers are embracing a role that goes beyond vocalism in activist situations



Situation Overview	Ashland	Bristol-Myers Squibb
Active Manager Response	<ul style="list-style-type: none"> <li>On October 25, 2018, Cruiser Capital nominated a four-person slate at Ashland, saying it believed new Board leadership was needed to help the Company transition from a conglomerate structure to a “streamlined, pure play, specialty chemical company”</li> <li>In December 2018, Ashland announced the retirement of its Lead Independent Director, to be replaced with a new Director</li> <li>In January 2019, Ashland announced the addition of a new independent Director to its slate</li> </ul>	<ul style="list-style-type: none"> <li>On January 3, 2019, Bristol-Myers Squibb agreed to acquire Celgene for approximately \$74bn; the Company’s stock price fell given concerns about recent drug pipeline challenges at Celgene</li> <li>On February 21, 2019, Bristol-Myers Squibb revealed in a regulatory filing that activist Starboard nominated five Directors to its Board, and was reportedly against the deal</li> </ul>

“The goal here was to try and put this to bed, but the shareholders will decide... **We thought this outcome was significantly superior than the execution risk, the distraction risk and the nastiness of the alternatives.**”







- Charles Kantor, Senior Portfolio Manager, Neuberger Berman, January 13, 2019 (emphasis added)

**“While Wellington agrees that Bristol-Myers should be active in business development that secures differentiated science and broadens the future revenue base, Wellington does not believe that the Celgene transaction is an attractive path towards accomplishing this goal.** Wellington’s conclusion is based upon three tenets: 1) the transaction asks BMY shareholders to accept too much risk and the terms offer BMY shares to CELG shareholders at a price well below implied asset value; 2) execution success could be more difficult to achieve than depicted by Company management; and 3) alternative paths to create value for BMY shareholders could be more attractive.”

- Wellington Management (Press Release), February 27, 2019 (emphasis added)

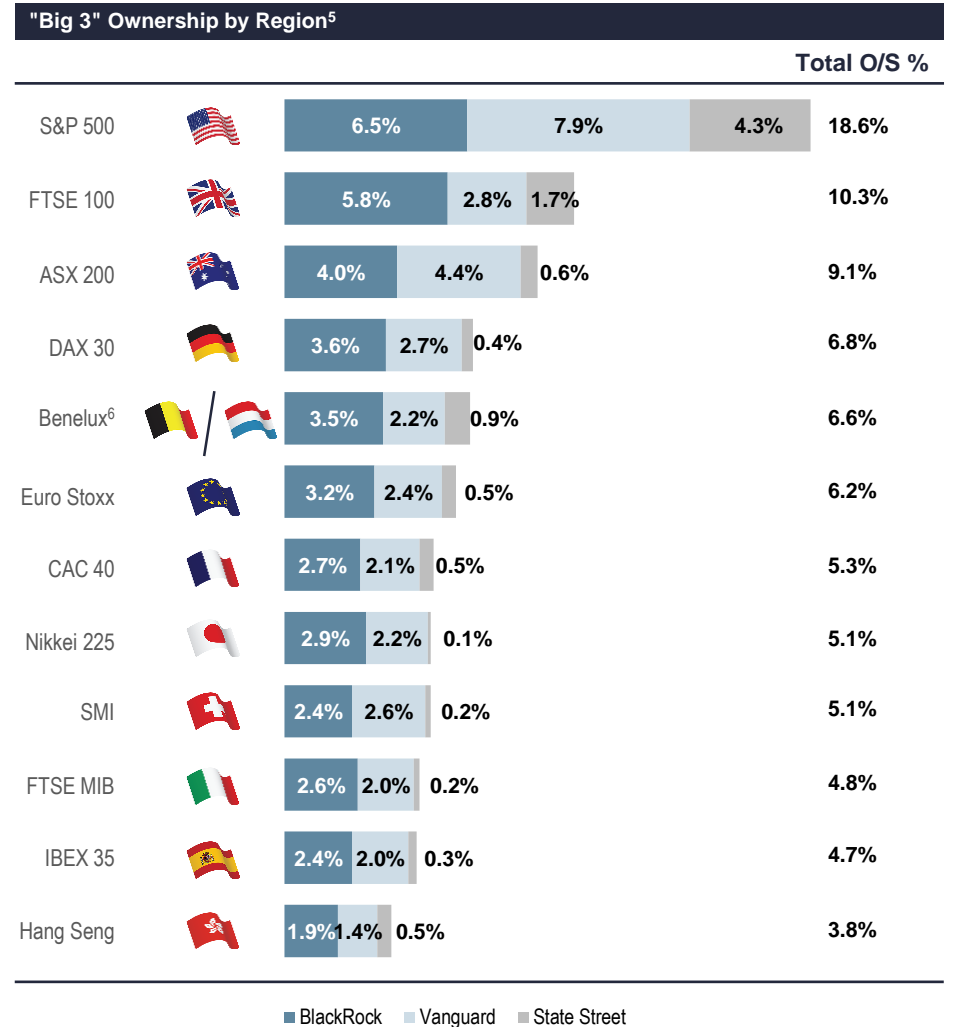
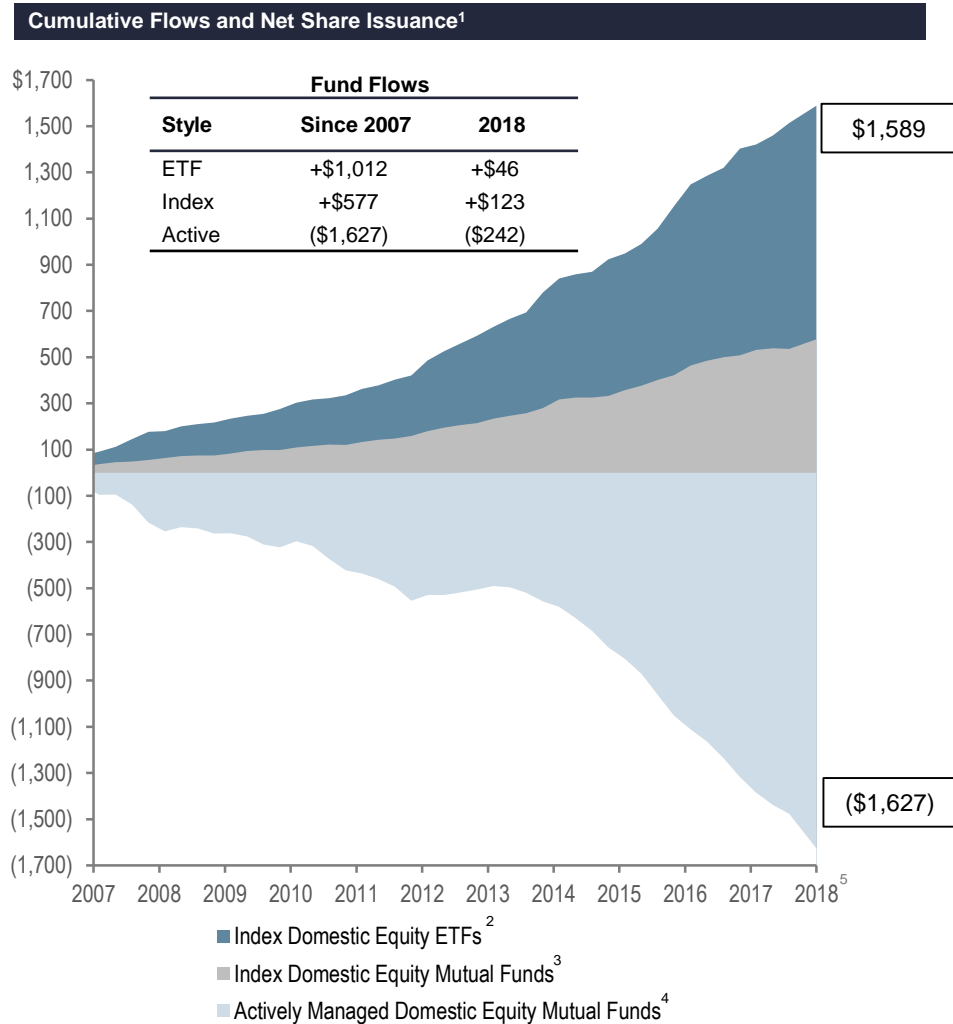
## 5 Additional Active Managers Increasing Engagement

Q1 2019 saw traditional active managers employing a vocal approach in activist situations across geographies

Company / Active Manager	Commentary	Company / Active Manager	Commentary
	<ul style="list-style-type: none"> <li>Aviva released a statement in February 2019 supporting Barclays in its proxy fight with Sherborne, writing that it “[did] not see merit” in Sherborne’s Edward Bramson joining the Board</li> </ul>		<ul style="list-style-type: none"> <li>Artisan Partners sent a letter to Panalpina’s Board in February 2019, urging the Board to consider a recent takeover offer from peer DSV</li> <li>Panalpina eventually reached an agreement to merge with DSV</li> </ul>
	<ul style="list-style-type: none"> <li>Dodge &amp; Cox reportedly opposed the Company’s acquisition of Celgene</li> </ul>		<ul style="list-style-type: none"> <li>Royal London Asset Management’s head of sustainable investments said it would support Shaftesbury in the face of 26% shareholder Samuel Tak Lee’s shareholder proposals to block a share issuance</li> <li>Shareholders defeated Lee’s proposals at the Company’s AGM</li> </ul>
	<ul style="list-style-type: none"> <li>M&amp;G, an active manager owned by insurer Prudential, nominated four Directors to Methanex’s Board, citing misgivings over a planned factory and Board tenure issues</li> </ul>		<ul style="list-style-type: none"> <li>Ahead of ThyssenKrupp’s annual meeting, DWS portfolio manager Christoph Ohme said that the Company needed to focus on improving its margins, adding that it would be closely monitoring the Company’s progress</li> <li>ThyssenKrupp went on to announce further details of its breakup plan, garnering support from activist Cevian</li> </ul>

## 6 Passive Manager Influence Continues to Grow

(\$ in billions)



Source: FactSet, P&I and Simfund.

<sup>1</sup> Equity mutual fund flows include net new cash flow and reinvested dividends. Data excludes mutual funds that invest primarily in other mutual funds.

<sup>2</sup> ETF distribution channel.

<sup>3</sup> All mutual index funds (excludes ETFs).

<sup>4</sup> All mutual funds that are not index funds.

<sup>5</sup> Represents data through 4Q 2018.

<sup>6</sup> Includes BEL 20 (Belgium) and AEX (Netherlands).

## 6 Passive Managers Focusing on Culture and Purpose

Passive managers are using their increasing influence to discuss how corporate culture and purpose can affect long-term performance



### BLACKROCK

Larry Fink, Chairman and CEO

“Profits are in no way inconsistent with purpose—in fact, profits and purpose are inextricably linked. Profits are essential if a company is to effectively serve all of its stakeholders over time—not only shareholders, but also employees, customers and communities... **Purpose guides culture, provides a framework for consistent decision-making, and, ultimately, helps sustain long-term financial returns for the shareholders of your company.**”

“One thing, however, is certain: the world needs your leadership. As divisions continue to deepen, **companies must demonstrate their commitment to the countries, regions and communities where they operate, particularly on issues central to the world’s future prosperity.** Companies cannot solve every issue of public importance, but there are many—from retirement to infrastructure to preparing workers for the jobs of the future—that cannot be solved without corporate leadership.”

“**Companies that fulfill their purpose and responsibilities to stakeholders reap rewards over the long term.** Companies that ignore them stumble and fail. This dynamic is becoming increasingly apparent as the public holds companies to more exacting standards.”

- Larry Fink, “Purpose & Profit,” January 2019 (emphasis added)



### STATE STREET

Cyrus Taraporevala, President and CEO,  
State Street Global Advisors

“This year we will be focusing on corporate culture as one of the many, growing intangible value drivers that affect a company’s ability to execute its long-term strategy. We acknowledge that corporate culture, like many other intangible assets, is difficult to measure and manage. However, we also recognize **that at a time of unprecedented business disruptions, whether in the form of technology, climate or other exogenous shocks, a company’s ability to promote the attitudes and behaviors needed to navigate a much more challenging business terrain will be increasingly important.**”

“Indeed, we have found that boards sometimes fail to adequately ensure that the current corporate culture aligns with corporate strategy. This is especially important in times of crisis or strategic change, such as the transition of a CEO or during mergers and acquisitions or strategic turnarounds. **These are critical inflection points during which a lack of focus on culture can delay, or even derail important strategic objectives and pose existential challenges for management.**”

“We believe that at a time of historic disruption, increased focus on corporate culture and how it supports strategy is essential to sustainable, long-term value creation.”

- Cyrus Taraporevala, Letter to Boards, January 2019 (emphasis added)



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