

INSIGHTIA

MONTHLY

VOLUME 1 ISSUE 8 | OCTOBER 2022

ACTIVISTS ANTICIPATE THE COMING RECESSION

Activist shareholders are responding to uncertainty
with short-term caution and long-term optimism

MGS TAKEAWAYS

Analysis from Diligent's Modern
Governance Summit (MGS)

GOVERNANCE

ENGAGEMENT

STEWARDSHIP

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WELCOME

REBECCA SHERRATT
PUBLICATIONS EDITOR, INSIGHTIA.



As the first crisp breeze of autumn heralds the end of summer, activist shareholders and institutional investors alike are hard at work preparing for another proxy season.

The first campaigns of the new season are already taking shape, with Farmer Brothers, Temenos, and Astronics facing calls to improve performance and revamp their boards. The publication of Urgewald's 2022 Global Coal Exit List, which details the activities of the biggest companies operating along the thermal coal value chain, also serves as a foundation for institutional investors looking to hold the biggest decarbonization shirkers to account for their commitments or lack thereof.

Our lead article this month takes stock of how activist shareholders are tailoring their investment targets and demands to reflect the changing macro environment. With inflation and interest rates surging, geopolitical instability, supply chain disruptions, and volatile energy prices, demand for cost-cutting and debt reduction is on the rise while more U.S. activists are taking advantage of the strong dollar to buy into European and Asian companies.

Also in this issue, we take you through the valuable takeaways presented at Diligent's Modern Governance Summit (MGS). On September 12 – 14 in Austin, Texas, Diligent brought together thousands of governance, risk, and compliance professionals to discuss the latest trends in corporate governance. Alongside a packed three days of live seminars and thought leadership sessions, attendees also made the most of on-demand presentations, networking opportunities, and product sessions.

We delve into some of the key takeaways of the event, handpicked by the Insightia team, including effective board composition strategies, the mixed reception ESG activism received this year, and how companies can take the first step toward enhancing their climate reporting.

This month, we also have the pleasure of speaking with Marco Taricco, founding partner at Bluebell Capital Partners. The \$249 million primary focus activist had an eventful 2022, calling on Solvay and Glencore to strengthen their climate commitments, while pushing Swiss luxury goods giant Richemont to reshape its governance to remedy years of underperformance. Taricco shares his insights on the future of ESG activism and the importance of minority representation on boards.

Marco and I also came together earlier this month to share our insights on the recent proxy season at the Natural Resources Forum's ESG Week Energy and Mining Forum, along with experts from Georgeson, Clearway Capital, and State Street Global Advisors (SSGA).

In this issue, we also explore why Lyft is vulnerable to activism, the pressure on U.S. weapons manufacturers to enhance their human rights reporting, and insights from Diligent's 2022 *Global Modern Leadership Report*.

“**DEMAND FOR COST-CUTTING AND DEBT REDUCTION IS ON THE RISE WHILE MORE U.S. ACTIVISTS ARE TAKING ADVANTAGE OF THE STRONG DOLLAR TO BUY INTO EUROPEAN AND ASIAN COMPANIES.**”

This month on the Beyond the Boardroom podcast, host Kieran Poole is joined by Christina Bresani, managing director and head of corporate advisory at William Blair. The episode is available to [listen](#) to on Apple Music and Spotify.

Also keep an eye out for our upcoming *Proxy Voting Annual Review 2022*, which provides readers with a comprehensive breakdown of investor voting trends during the 2022 proxy season. The second edition of our report features insights from Alliance Advisors, ShareAction, and Diligent, and examines how shareholders are holding companies to account on ESG, director elections, and auditors, as well as examining the voting trends of the Big Three; BlackRock, Vanguard, and SSGA.

We hope you enjoy this issue of *Insightia Monthly*. We encourage our readers to let us know what they think of the magazine and how we can make it even better. You can let us know what you think by emailing us at insightia.press@diligent.com. Happy reading! 📖

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[illegible]

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GOVERNANCE • ENGAGEMENT • STEWARDSHIP

MONTHLY SUMMARY

THE LATEST TRENDS IN GOVERNANCE AND SHAREHOLDER ENGAGEMENT.

NO. COMPANIES PUBLICLY SUBJECTED TO ACTIVIST DEMANDS, GLOBALLY, BY SECTOR

IN THE PERIOD JANUARY 1 – SEPTEMBER 30

SECTOR	2021 YTD*	2022 YTD*	YOY CHANGE %
BASIC MATERIALS	78	72	↓ 7.69
COMMUNICATION SERVICES	25	25	0.00
CONSUMER CYCLICAL	107	118	↑ 10.28
CONSUMER DEFENSIVE	56	62	↑ 10.71
ENERGY	35	41	↑ 17.12
FINANCIAL SERVICES	99	101	↑ 2.02
FUNDS	23	14	↓ 39.13
HEALTHCARE	79	81	↑ 2.53
INDUSTRIALS	121	121	0.00
REAL ESTATE	34	32	↓ 5.88
TECHNOLOGY	103	105	↑ 1.94
UTILITIES	25	29	↑ 16.00
TOTAL	785	801	↑ 2.04

SOURCE: INSIGHTIA / ACTIVISM
*DATA AS OF SEPTEMBER 30, 2022.

NO. BOARD SHEETS WON BY ACTIVIST NOMINEES, GLOBALLY, BY METHOD AND OUTCOME YEAR

IN THE PERIOD JANUARY 1 – SEPTEMBER 30

METHOD	2021 YTD*	2022 YTD*	YOY CHANGE %
SETTLEMENT	144	158	↑ 9.72
WENT TO VOTE	105	124	↑ 18.10
TOTAL	249	282	↑ 13.25

SOURCE: INSIGHTIA / ACTIVISM
*DATA AS OF SEPTEMBER 30, 2022.

NO. AND AVERAGE SUPPORT FOR (%) ENVIRONMENTAL SHAREHOLDER PROPOSALS AT AUSTRALIAN-LISTED COMPANIES BY YEAR

	2018 YTD*	2019 YTD*	2020 YTD*	2021 YTD*	2022 YTD*
NO. PROPOSALS	3	5	7	5	7
SUPPORT	14	6.1	34.3	73.1	19.2

SOURCE: INSIGHTIA / VOTING
*DATA AS OF SEPTEMBER 30, 2022.

NO. COMPANIES PUBLICLY SUBJECTED TO ACTIVIST DEMANDS BY COMPANY REGION

IN THE PERIOD JANUARY 1 – SEPTEMBER 30

COMPANY REGION	2021 YTD*	2022 YTD*	YOY CHANGE %
ASIA	113	148	↑ 30.97
AUSTRALIA	51	43	↓ 15.69
CANADA	36	39	↑ 8.33
EUROPE (EXCLUDING U.K.)	112	79	↓ 29.46
OTHER	20	15	↓ 25.00
U.K.	39	36	↓ 7.69
U.S.	414	441	↑ 6.52
TOTAL	785	801	↑ 2.04

SOURCE: INSIGHTIA / ACTIVISM
*DATA AS OF SEPTEMBER 30, 2022.

NO. ACTIVIST SHORT CAMPAIGNS AT EUROPE-BASED COMPANIES PER YEAR, BY ALLEGATION

ALLEGATION	2018 YTD*	2019 YTD*	2020 YTD*	2021 YTD*	2022 YTD*
ACCOUNTING FRAUD	1	0	2	0	1
BUBBLE	0	0	0	0	0
COMPETITIVE PRESSURES	0	0	0	1	0
DIVIDEND CUT COMING	1	0	1	0	0
INDUSTRY ISSUES	0	0	1	0	1
INEFFECTIVE ROLL-UP	3	1	0	0	0
MAJOR BUSINESS FRAUD	1	3	2	0	1
MEDICAL EFFECTIVENESS	0	0	0	0	0
MISLEADING ACCOUNTING	4	0	4	2	1
OTHER ILLEGAL	0	0	0	0	0
OTHER OVERVALUATION	0	1	0	1	0
OVER-LEVERED	2	0	0	0	1
PATENT EXPIRATION	0	0	0	0	0
PATENT INVALID	0	0	0	0	0
PRODUCT INEFFECTIVE	0	0	1	0	2
PYRAMID SCHEME	0	0	0	0	0
STOCK PROMOTION	0	0	0	1	1
UPCOMING EARNINGS MISS	0	0	0	1	0

SOURCE: INSIGHTIA / SHORTS
*DATA AS OF SEPTEMBER 30, 2022.

NEWS IN BRIEF

A ROUNDUP OF DEVELOPMENTS IN GOVERNANCE, STEWARDSHIP, AND SHAREHOLDER ENGAGEMENT.

BOARDROOM BATTLES

Rocky Mountain Chocolate Factory took legal action against shareholders Bradley Radoff and AB Value Management, along with one of their director candidates, alleging they withheld key information prior to the company signing a now-defunct cooperation agreement. [DETAIL](#)

U.S. community lender Republic First Bancorp agreed to add a director backed by Driver Management in a deal that ends a yearlong battle with the activist investor. [DETAIL](#)

Activist fund Land & Buildings formally nominated just two directors to Apartment Investment and Management Company's (Aimco) classified board, from its initial slate of three. The investment firm also called for several shareholder-friendly bylaw amendments. [DETAIL](#)

Carlson Capital revealed plans to engage with Glatfelter Corp., a manufacturer of specialty papers profiled a year ago on Insightia's *Vulnerability* module, on a number of topics including strategic alternatives. [DETAIL](#)

Engine Capital recommended gaming company Light & Wonder merge with its subsidiary SciPlay in order to increase value for shareholders. [DETAIL](#)

Kanen Wealth Management disclosed a new 5.3% stake in Orion Energy Systems and said it may seek board representation. [DETAIL](#)

Warwick Sauer, a corporate lawyer with a history of pushing for changes at Excelsior Capital, nominated himself to the board but the Australian company does not support his candidacy. [DETAIL](#)

ANTI-ESG

Former Deputy Treasury Secretary Sarah Bloom Raskin criticized new anti-ESG laws passed in a select group of U.S. states for endangering global financial stability, warning such policies pressure financial institutions to continue lending to energy companies for fear of facing anti-ESG backlash. [DETAIL](#)

BlackRock launched a targeted webpage in a bid "to set the record straight" on its energy investing practices, following

accusations from a growing number of U.S. states that the fund manager is boycotting the energy industry. [DETAIL](#)

Green Century Capital Management issued a defiant statement defending its "family of fossil fuel free funds" after Texas Comptroller Glenn Hegar's decision to include the shareholder advocate on a list of financial companies that allegedly boycott fossil fuel companies. [DETAIL](#)

ENERGY SECTOR REMAINS AN ACTIVISM HOTBED

The National Legal and Policy Center (NLPC) recommended climate change expert Donald van der Vaart for election to the board of ExxonMobil. [DETAIL](#)

Germany's biggest power supplier RWE raised the ire of activist investor Enkraft Capital with a \$6.8-billion agreement to buy the renewable energy business of U.S. peer Consolidated Edison. [DETAIL](#)

The Net-zero Asset Owner Alliance called on companies in the oil and gas and transportation sectors to prepare and transparently disclose forward-looking decarbonization transition plans. [DETAIL](#)



ROCKY MOUNTAIN CHOCOLATE FACTORY TOOK LEGAL ACTION AGAINST SHAREHOLDERS BRADLEY RADOFF AND AB VALUE MANAGEMENT.

Origin Energy agreed to include a 1.5 degrees Celsius climate change sensitivity analysis in its 2023 financial statements following engagement with the Australasian Centre for Corporate Responsibility (ACCR). [DETAIL](#)

Australian Pacific Coal's biggest shareholder Trepang Services pulled its proxy contest for three board seats after reaching a deal with the company to redevelop its Dartbrook coal project. [DETAIL](#)

Capricorn Energy unveiled a merger deal with Israeli natural gas group NewMed, pulling out of a tie-up plan with Tullow Oil that drew heavy criticism from several investors including activist hedge fund Palliser Capital. [DETAIL](#)

TARGETING THE TECH SECTOR

Twitter revealed that Elon Musk is under investigation by the U.S. authorities in relation to his behavior with regards to the acquisition of the social media company. [DETAIL](#)

Shareholder advocate James McRitchie filed a class action lawsuit against Meta Platforms on October 4, accusing the social media giant of failing to invest in measures to prevent its platform from being used to promote modern slavery, ethnic violence, organized crime, and vaccine disinformation. [DETAIL](#)

Blackbaud shares surged in early October after private equity group Clearlake Capital said it was looking to take a more active approach regarding its 18.4% stake in the cloud software company. Blackbaud was profiled in 2020 on Insightia's *Vulnerability* module. [DETAIL](#)

The Church of England's National Investing Bodies (NIBs) published a policy recommending technology companies make a series of public commitments to human rights, including a promise to enhance human capital-related disclosure and transparency. [DETAIL](#)

REGULATORY ACTION

The Federal Reserve Board announced that six of the U.S.'s biggest banks will take part in a new climate analysis exercise designed to improve the ability of financial institutions to manage climate-related financial risks. [DETAIL](#)

SOC Investment Group wrote to the Chair of the Securities and Exchange Commission's (SEC) Investor Advisory Committee, recommending the group encourage the U.S. regulator to establish mandatory human rights reporting requirements. [DETAIL](#)

Austria filed a lawsuit against the European Commission challenging its controversial decision to label nuclear and gas as green investments in the European Union's (EU) new taxonomy. [DETAIL](#)



JAMES MCRITCHIE FILED A CLASS ACTION LAWSUIT AGAINST META PLATFORMS ON OCTOBER 4, ACCUSING THE SOCIAL MEDIA GIANT OF FAILING TO INVEST IN MEASURES TO PREVENT A NUMBER OF ISSUES.

A global investor coalition is taking Glencore to court in a class-action-style lawsuit after the mining and commodity trading group pleaded guilty to bribery earlier this year.

[DETAIL](#)

SHORT SELLING

The founders of short selling firms Gotham City Research and Portsea Asset Management are setting up a new hedge fund, in a bet that rising interest rates will provide opportunities for short outfits. [DETAIL](#)

Iceberg Research issued a short report on Quantum Computing, arguing that the startup's core software product has not achieved significant sales while a recent venture into computing hardware could send the company's stock to zero.

[DETAIL](#)

Short seller Night Market Research published a new report on Zentek and reiterated that financial results and poor sales figures have substantiated its thesis that the company will "continue to be a commercial flop." [DETAIL](#)

Sweden's Truecaller dismissed the allegations made by Viceroy Research in a short report, saying that its business does not violate privacy or tax laws. [DETAIL](#)

Spruce Point Management took a short position in Broadridge Financial Solutions, arguing the fintech company has a "low value-added" business and "dubious" technology prowess. [DETAIL](#)

SUSTAINABILITY

The co-chairs and vice chair of the Glasgow Financial Alliance for Net Zero (GFANZ) urged financial institutions to embed deforestation into transition planning. [DETAIL](#)

Many large carbon-emitting companies in the U.S. fail to provide meaningful metrics when linking CEO pay to climate reduction goals, according to As You Sow's latest report.

[DETAIL](#)

HSBC Asset Management ceased financing the expansion of thermal coal from all funds it manages, following pressure from investors to enhance its climate credentials. [DETAIL](#)

Global food giant Nestlé pledged to end its business relationship with its Indonesian palm oil supplier Astra Agro Lestari (AAL), following shareholder pressure over alleged links to environmental damage and human rights violations.

[DETAIL](#) 



GLOBAL FOOD GIANT NESTLÉ PLEDGED TO END ITS BUSINESS RELATIONSHIP WITH ITS
INDONESIAN PALM OIL SUPPLIER ASTRA AGRO LESTARI (AAL).



ACTIVISTS ANTICIPATE THE COMING RECESSION

Activist shareholders are responding to economic uncertainty with short-term caution and long-term optimism, writes Jason Booth.

Activists often describe themselves as bottom-up stock pickers whose investments will outperform irrespective of wider economic trends. But with inflation and interest rates surging, geopolitical instability, supply chain disruption, and volatile energy prices, activists are tailoring their investment targets and demands to reflect the changing macro environment.

Demands for cost-cutting and debt reduction are on the rise, as well as greater scrutiny of merger and acquisition (M&A) deals, especially in the U.K and Europe, where weak currencies have cut into earnings forecasts.

Yet, in the longer term, U.S. activists in particular look to be taking advantage of the strong dollar to make big overseas investments with an eye to a market rebound in 2023.

BELT-TIGHTENING

The most immediate impact on activism may be caution as falling stock prices and higher interest rates threaten their own financial performance.



“WE STARTED THE YEAR POSITIVELY, THE ACTIVISM LEVELS IN THE U.K. WERE HIGH AND HIGH PROFILE. THEN MACROECONOMICS AND GEOPOLITICS STEPPED IN AND UPSET THE APPLE CART.”

“We started the year positively, the activism levels in the U.K. were high and high profile,” said Tom Matthews, head of EMEA shareholder activism at White & Case, in an interview with *Insightia Monthly*. “Then macroeconomics and geopolitics stepped in and upset the apple cart.”

The caution became apparent in March after the Federal Reserve made its first interest rate increase in four years. 13-F regulatory filings show that 71 new investments, inclusive of reinvestments, were made by primary or partial activists in the second quarter of 2022, versus 122 in the first quarter of 2022 and 197 in the second quarter of 2021, according to *Insightia’s Activism* module.

Third Point’s Daniel Loeb highlighted the caution in his second-quarter letter to limited partners, stating that the

fund had “significantly reduced risk and took steps to protect capital in a tumultuous market with an uncertain economic backdrop.”

Activists are demanding the same level of caution from their portfolio companies. In August, Third Point called on Walt Disney Co. to reduce debt by spinning off sports broadcaster ESPN and reduce costs by fully integrating streaming company Hulu. The two sides reached a settlement earlier this month, with Third Point gaining a board seat and dropping its ESPN demand.

According to *Insightia Activism* data, 23 companies worldwide faced demands for general cost-cutting as of September 30, 2022, already surpassing the 13 demands made in all of 2021 and the same as the 23 made throughout both 2020 and 2019.

The trend was strongest in the U.S. and the U.K., where such demands were at their highest year-to-date on record.

After Kohl’s ended talks to sell its business to The Franchise Group, activist Macellum Capital called on management to trim its sails, writing in a letter, “We call on the board to stop burning shareholder capital and enter into cash preservation mode until a deal is consummated.”

U.K. insurance company Aviva is facing cost cutting demands from activist Cevian Capital which reckons Aviva can cut at least 500 million pounds (\$564 million) from its annual cost base by 2023.

RETURN CASH

Cost cutting isn’t the only demand gaining prominence amid ongoing market turbulence, with Aviva also facing pressure from Cevian to return cash to shareholders. Indeed, demands for companies to return cash to shareholders have increased significantly, with 144 such demands worldwide year to date, up from 121 throughout 2021.

The surge of return cash to shareholders demands is one of the more surprising trends to emerge this year, given the economic uncertainty. Yet companies piled up cash reserves during the COVID-19 pandemic, so much so that cash held by U.S. companies is estimated to have skyrocketed from \$1.6 trillion in 2000 to approximately \$5.8 trillion today. And with growth slowing and interest rates rising, many activists appear to think they would be better off investing the money, rather than management.

In April, activist investor Osmium Partners called on home décor and furniture retailer Kirkland's to repurchase 50% of its shares, arguing the business is strong and the stock undervalued, while in the same month Alta Fox Capital Management urged trucking company Daseke to buy back \$60 million in shares, following steep stock market losses.

DO DEALS

The difficulty in valuing assets at a time of economic uncertainty is also fueling opposition to M&A, especially outside the U.S. where companies are struggling to deal with currency fluctuations and energy shortages.

Germany's biggest power supplier RWE raised the ire of activist investor Enkraft Capital, which argued the German utility firm should focus on spending its capital at home, given the ongoing energy crisis.

"It is completely incomprehensible how Germany's largest energy company can spend seven billion euros on [an] M&A transaction in the U.S. amidst the biggest energy crisis Germany has ever seen," Benedikt Kormaier of Enkraft Capital told the press at the time.

Similarly, Philip Morris International's proposed \$16-billion takeover of Swedish smokeless tobacco company Swedish Match has faced staunch opposition from shareholders activists like Elliott Management, Farallon Capital Management, and Pentwater Capital Management.

Long-term shareholder Framtiden Management Co. opposed the plan on the grounds it does not factor in

growth in the U.S. market, where a strong dollar should boost returns for the company.

PLANNING AHEAD

The true impact of the current market environment may not be seen until next year, or longer, as activists are now taking advantage of depressed stock prices to find companies that might be put in play at a later date, or possibly might work as platforms to launch takeovers.

“WE CALL ON THE BOARD TO STOP BURNING SHAREHOLDER CAPITAL AND ENTER INTO CASH PRESERVATION MODE UNTIL A DEAL IS CONSUMMATED.”

"I think the activists aren't necessarily looking for a transaction today, they're looking into the future," said Darren Novak, JP Morgan's head of shareholder engagement and M&A capital markets for EMEA in a recent podcast. "So, over the next 12, 18, 24 months, [they are thinking] could this company, in fact, be vulnerable enough over the coming months that they could be put into play quite quickly?"

With the pound sterling at historic lows and U.K. equities trading at a multi-year discount to the U.S., the U.K. tops

NO. GENERAL COST CUTTING DEMANDS, BY COMPANY REGION AND DEMAND YEAR

COMPANY REGION	2021 YTD*	2022 YTD*	YoY%
ASIA	1	1	0
AUSTRALIA	0	0	0
CANADA	0	1	N/A
EUROPE (WITHOUT U.K.)	0	1	N/A
OTHER	1	0	↓ 100
U.K.	1	4	↑ 300
U.S.	9	16	↑ 77.77
TOTAL	12	23	↑ 91.66

SOURCE: INSIGHTIA / ACTIVISM
*DATA AS OF SEPTEMBER 30, 2022.

NO. RETURN CASH TO SHAREHOLDER DEMANDS, BY COMPANY REGION AND DEMAND YEAR

COMPANY REGION	2021 YTD*	2022 YTD*	YoY%
ASIA	34	87	↑ 155.88
AUSTRALIA	1	2	↑ 100
CANADA	1	1	0
EUROPE (WITHOUT U.K.)	34	21	↓ 38.23
OTHER	2	2	0
U.K.	4	2	↓ 50
U.S.	22	29	↑ 31.81
TOTAL	98	144	↑ 46.93

SOURCE: INSIGHTIA / ACTIVISM
*DATA AS OF SEPTEMBER 30, 2022.

many lists of markets where economic disruption may present future activist opportunities.

Real estate-focused activist Land and Buildings has never made a public demand at a company outside of the U.S. and Canada, but the fund's founder Jonathan Litt sees opportunity in the U.K. market.

"The pound is down 18% to the U.S. dollar, and U.K. property stocks are down 38% year-to-date with property stocks trading at nearly a 50% discount to net asset value (NAV)," the investor tweeted on October 7. "When markets normalize, the combination of an appreciating pound and appreciating U.K. property stocks could turbocharge returns."

Matthews agreed that there was growing interest in the U.K among active U.S. investors but cautioned that anyone looking for value in the U.K and any other market needs to factor in wider economic variables.

"It's not quite as simple as saying U.K. PLC is cheap because the dollar is strong," he said, "You need to look at the actual company and figure out where it gets its earnings from."

The same, currency aside, might be said for any potential activist target over the next few months. [io](#)



WHEN MARKETS NORMALIZE, THE COMBINATION OF AN APPRECIATING POUND AND APPRECIATING U.K. PROPERTY STOCKS COULD TURBOCHARGE RETURNS.

NUMBER OF U.S.-BASED COMPANIES PUBLICLY SUBJECTED TO ACTIVIST DEMANDS, BY MARKET CAP CATEGORY AND DEMAND YEAR

MARKET CAP	2020 YTD*	2021 YTD*	2022 YTD*
LARGE-CAP	178	183	209
MID-CAP	78	79	84
SMALL-CAP	79	73	62
MICRO-CAP	64	44	54
NANO-CAP	32	30	31
TOTAL	431	409	440

SOURCE: INSIGHTIA / ACTIVISM
*DATA AS OF SEPTEMBER 30, 2022.



IN THE LATEST EPISODE OF *BEYOND THE BOARDROOM*, HOST KIERAN POOLE IS JOINED BY CHRISTINA BRESANI, MANAGING DIRECTOR AND HEAD OF CORPORATE ADVISORY AT WILLIAM BLAIR.



THIS MONTH ON *THE CORPORATE DIRECTOR PODCAST*, EDIE FRASER, CEO OF THE WOMEN BUSINESS COLLABORATIVE, DISCUSSES HER ORGANIZATION'S COMPANIES OF PURPOSE INITIATIVE.





ICGN

International Corporate Governance Network

ICGN 2022 Proxy Season Review

Join us as we evaluate this year's ESG
trends and present the 2022 ICGN Awards

16 November 2022 • One Birdcage Walk, London

Further information available at icgn.org/events



MGS TAKEAWAYS

Diligent's Modern Governance Summit (MGS) showcased that investors are establishing increasingly stringent ESG reporting expectations, writes Rebecca Sherratt.

On September 12 – 14 in Austin, Texas, Diligent brought together thousands of governance, risk, and compliance professionals to discuss the latest trends in corporate governance at MGS 2022. Alongside a packed three days of live seminars and thought leadership sessions, attendees also made the most of on-demand presentations, networking opportunities, and product sessions. Here is a selection of key takeaways, as selected by the Insightia team.

PREPARING FOR ESG ACTIVISM

With activists and institutional investors alike now calling on companies to strengthen their ESG commitments, it's more important than ever for boards to establish effective policies and procedures to mitigate the risk of activist engagement.

Together with Insightia's Josh Black, Loren Braswell of Sidley Austin, Mark Grothe of Glass Lewis, and Veena Ramani of FCLT Global explored which issues are a priority for investors and how companies can prepare for engagement on these topics.

Environmental concerns continue to rank high on investors' agendas, as reflected in the significant number of shareholder proposals reaching proxy ballots on this topic, panelists noted. As of September 30, 2022, 68 environmental shareholder proposals have been subject to a vote at U.S.-listed companies, compared to 28 and 39 that made the ballot throughout 2020 and 2021, respectively, according to Insightia's *Voting* module.

"We are seeing an evolution from a siloed approach to climate to one that is more aligned with broader value-creation," Ramani said. "Companies need to have and to articulate a long-term value creation plan that asks and answers questions about climate."

HAS ESG ACTIVISM HIT A WALL?

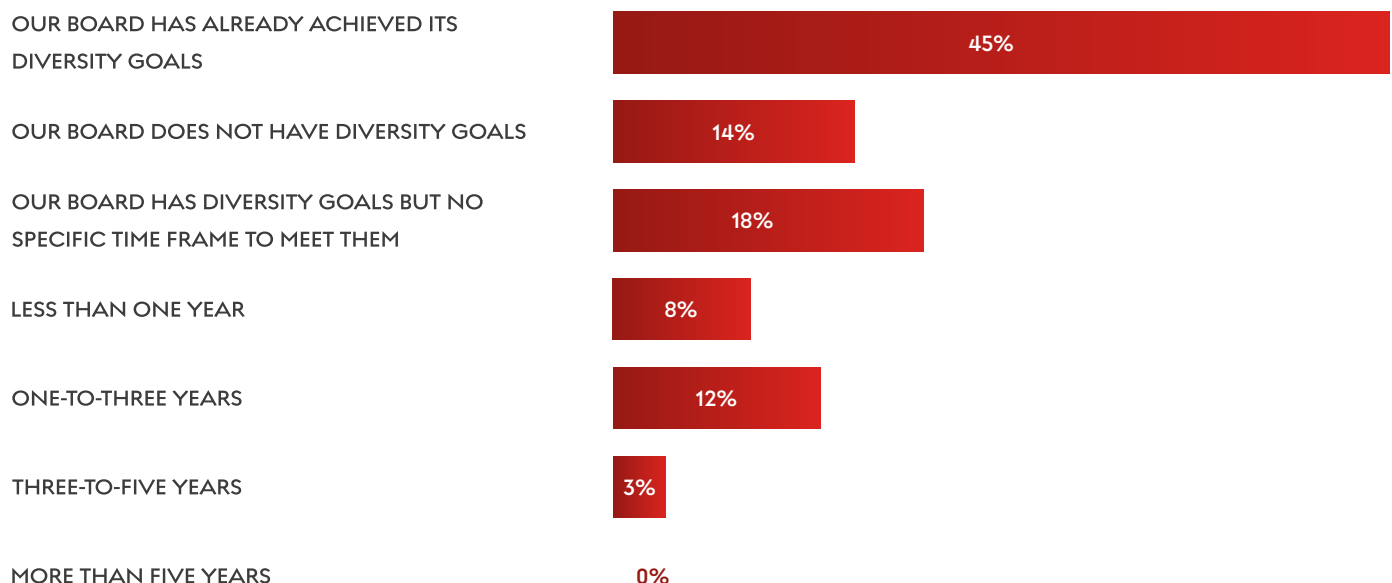
ESG activism was catapulted into prominence with Engine No. 1's victory against U.S. oil major ExxonMobil in May 2021. In the year that has followed, activists have embraced ESG with open arms but results have been mixed. As of September 30, 2022, 42 global activist campaigns featuring both board representation and ESG-related demands have been successful, up from 37 in 2021, according to Insightia's *Activism* module.

Josh and the sponsors of our recent *ESG Activism 2022* report, Gabrielle Wolf of Innisfree M&A, Patrick Gadson of Vinson & Elkins, and Jessica Strine of Sustainable Governance Partners (SGP), explored why.

"In a situation where ESG is relevant and tied to long-term value creation and governance concerns, it works," Strine of SGP said during the panel. "But when it's a passion project, such as Carl Icahn's campaigns concerning animal welfare at McDonald's and Kroger, it doesn't work and investors see through it."

That's not to say that there haven't been their fair share of activist success stories this season. Legion Partners' withhold campaign citing sexual harassment allegations won support from a majority of independent shareholders

HAS YOUR BOARD SET A TIME FRAME TO MEET ITS BOARD DIVERSITY GOALS?



SOURCE: DILIGENT'S 2022 GLOBAL MODERN LEADERSHIP REPORT.
368 U.S. BOARD DIRECTORS SURVEYED BETWEEN SEPTEMBER - OCTOBER, 2021.

at Guess' April annual meeting, while French energy giant TotalEnergies committed to ending Russian oil contracts in response to pressure from Clearway Capital and two Church of England investment funds.

"All activists I work with are now looking at ESG in a more tactical way compared to 10 years ago when the focus was very much on governance," Gadson said. "ESG campaigns will be much more prominent now."

EFFECTIVE BOARD COMPOSITION STRATEGIES

MGS also served as a perfect stage to unpack the valuable insights disclosed in the Diligent Institute's inaugural *Global Modern Leadership Report*. Diligent's own Dottie Schindlinger, together with Edie Fraser of the Women Business Collaborative, Channel Powe of Powe Power, and Jeni Elam of BoardReady, shared their thoughts

on how boards globally are working to become increasingly diverse.

Very few countries track their boardrooms' racial and/or ethnic make-up. Even in the U.S., where this is a priority, only 23% of the S&P 500 and 10% of the Russell 3000 indexes disclose individual director ethnicities, Diligent's report reveals.

Steady progress is being made globally to drive greater gender diversity on boards, with 27% of public company board seats held by women. However, progress is much slower on private company boards, with 58% of the 228 private boards assessed all-male.

For Fraser, an important step lies in establishing diverse nominating committees. "Boards need to change their committee structures," she said. "Nominating committees,



audit committees, and boards as a whole can be a catalyst for change when they reflect the community at large.”

ESG & EXECUTIVE COMPENSATION

Shai Ganu of Willis Towers Watson, Tony Moller of Kirkland & Ellis, and Courteney Keatinge of Glass Lewis took MGS attendees through evolving investor expectations surrounding executive compensation.

Despite the implementation of ESG metrics in director compensation plans becoming increasingly common, opposition toward remuneration reports is reaching record highs. As of September 30, S&P 500 advisory “say on pay” proposals have garnered 87.4% average support and 18 plans have failed to receive majority support. Just two years prior, plans averaged 89.8% support and only 10 plans failed to pass.

“**ESG ACTIVISM WAS CATAPULTED INTO PROMINENCE WITH ENGINE NO. 1'S VICTORY AGAINST U.S. OIL MAJOR EXXONMOBIL IN MAY 2021. IN THE YEAR THAT HAS FOLLOWED, ACTIVISTS HAVE EMBRACED ESG WITH OPEN ARMS.**”

Ganu said that how ESG issues are integrated into compensation structures and which issues boards prioritize, “varies significantly based on geographical region.” In the U.S., the majority of ESG pay metrics align



with board diversity targets while sustainability is the major focus in Europe. “When we are looking at these plans, we need companies to explain what they have done and the steps they are taking to address these issues,” Keatinge said. “We really want companies to spell out why this is important for them and what this is going to do for them.”

HEATING UP: CLIMATE RISK OVERSIGHT

Frank Kelley of DFIN, Karina Litvack of Climate Governance Initiative (CGI), and Paul Barker of Kirkland and Ellis also took MGS attendees through the importance of climate reporting and how to mitigate greenwashing risks.

Litvack, who is also a director of Italian oil company ENI, told the conference that the lack of standardization in ESG reporting makes taking that first step a daunting prospect – but that failing to take action will incur the wrath of shareholders.

NO. SUCCESSFUL CAMPAIGNS THAT INCLUDED ESG DEMANDS BY YEAR

COMPANY REGION	2018 YTD*	2019 YTD*	2020 YTD*	2021 YTD*	2022 YTD*
ASIA	7	1	4	6	12
AUSTRALIA	2	1	2	2	0
CANADA	1	2	3	3	3
EUROPE	10	17	7	11	5
OTHER	4	4	0	0	1
U.S.	60	70	51	78	70
GRAND TOTAL	84	95	67	100	91

SOURCE: INSIGHTIA / ACTIVISM
*DATA AS OF SEPTEMBER 30, 2022.

"If we as directors fail to deal with this we'll be failing in our duty," she said. "You don't want to be forced into action, you want to be ahead of it."

Following engagement with shareholders, Dutch oil major Shell was sued and ordered by the Hague District Court last year to reduce its worldwide carbon emissions 45% by 2030, compared to 2019 levels.

"Investors want to see framework-based emissions. Just do that!" Kelley said added. "As you shift into the broader climate transition, take a holistic approach."

THE DEVIL IS IN THE DATA

With global regulators implementing mandatory requirements for ESG reporting, issuers need to familiarize themselves with ESG reporting sooner rather than later.

An MGS panel with Insightia's Adam Riches, together with Amanda Carty of Diligent, and Brian Matt of the New

York Stock Exchange (NYSE), explored the integral role data plays in defining a company's ESG plans and how companies can take those first steps in harnessing the power of ESG data.

Conducting a materiality assessment can help issuers effectively identify what ESG issues they should prioritize engagement with. Asking stakeholders who are using the data what exactly they are looking for can also prove insightful, the panelists highlighted.

"I tell companies just going public, 'don't do too much too fast and try to match a company with an established ESG program line-for-line,'" Matt said. "European Union, U.K., and U.S. rules all align fairly closely to TCFD disclosures, so they serve as a good starting point when considering the kinds of ESG data your company may be required to disclose, going forward," Matt said. [id:](#)



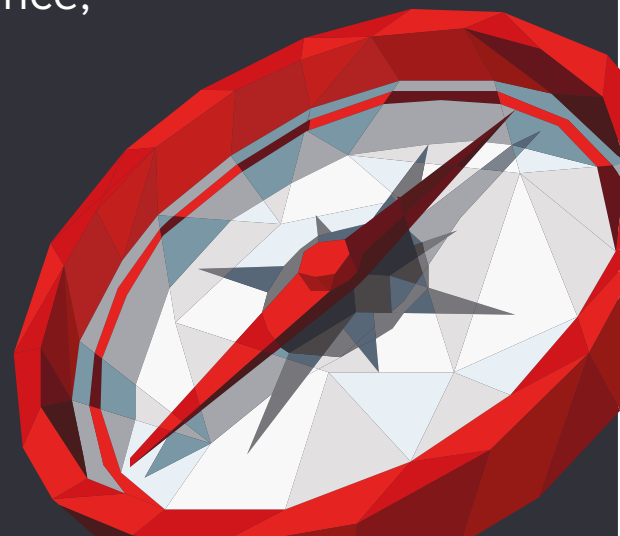


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THE BLUEBELL APPROACH



AN INTERVIEW WITH MARCO TARICCO, FOUNDING PARTNER, BLUEBELL CAPITAL PARTNERS.

BLUEBELL CAPITAL IS A LONDON-BASED ACTIVIST FOCUSED ON EUROPEAN PUBLIC EQUITIES. FOUNDED IN 2014, THE PRIMARY FOCUS ACTIVIST HAS 250 MILLION EUROS (\$249 MILLION) IN ASSETS.

WHAT MAKES BLUEBELL'S APPROACH TO SHAREHOLDER ACTIVISM UNIQUE?

Marco Taricco (MT): The "Bluebell" approach is tailor-made to specific situations, the only approach that works in Europe, where – unlike in the U.S. – you need to adapt to the local rules, sensitivities, and cultures. This is particularly important for a fund like ours, which is truly pan-European rather than just focused on specific regions. This flexible approach means we can be completely confidential and cooperate behind closed doors with the companies with which we engage or be highly vocal and public when required.

The other differentiating factor is that we only focus on large-cap companies. Liquidity aside, this is the space that, according to us, is most suitable for activist engagement in Europe. Small- and medium-cap companies are still largely family-owned across Europe, whereas when dealing with large-caps, you typically have more levers to activate in your engagement with the company. We have also demonstrated in the last three years that the size of the shareholding does not really matter.

BLUEBELL CAPITAL HAS LAUNCHED SEVEN CAMPAIGNS AT BOTH LARGE- AND MID-CAP COMPANIES, TWO AT SMALL-CAP COMPANIES, AND ONE AT A MICRO-CAP COMPANY SINCE ITS FOUNDING, ACCORDING TO INSIGHTIA'S ACTIVISM MODULE. BLUEBELL MOST COMMONLY TARGETS ISSUERS WITHIN THE FINANCIAL SERVICES AND INDUSTRIAL SECTORS.

HOW MANY OF YOUR CAMPAIGNS ARE PUBLIC?

MT: Typically, around 50% - currently six out of 12 positions in our portfolio are public. But unlike other activists, all

positions in our portfolio need to have an activist angle. We don't invest if we don't identify areas to improve by engaging with management and the board. We don't invest in a company simply because it's a good company. We need to find something more.

“ALL POSITIONS IN OUR PORTFOLIO NEED TO HAVE AN ACTIVIST ANGLE. WE DON'T INVEST IF WE DON'T IDENTIFY AREAS TO IMPROVE BY ENGAGING WITH MANAGEMENT AND BOARD.”

IN YOUR MIND, HOW HAVE ACTIVIST CAMPAIGNS IN 2022 CHANGED, COMPARED TO THE PREVIOUS SEASON?

MT: Apart from the increasing ESG focus, which we discussed, I would say there is more openness by companies to listen to shareholders' views, compared to a few years ago, and a higher interest among so-called passive investors to understand and support an activist's position. This trend is a clear positive and I expect it to continue beyond 2022.

MANY OF BLUEBELL'S CAMPAIGNS THIS YEAR HAVE HAD AN ENVIRONMENTAL ANGLE. DO YOU EXPECT THIS FOCUS ON ESG TO CONTINUE IN YOUR CAMPAIGNS, GOING FORWARD?

MT: Definitely. ESG is an integral part of what we do. Governance has always been our "bread and butter," but environmental and social issues have become increasingly

important. After two years of confrontation, we recently reached a settlement with chemical company Solvay on an environmental controversy. We ran the campaign owning only one share of Solvay. Additionally, it is public knowledge that we are also engaged with Glencore and RWE, where there is a clear environmental angle centered around coal production, which is central to the investment thesis.

“ **THERE IS MORE OPENNESS BY COMPANIES TO LISTEN TO SHAREHOLDERS' VIEWS, COMPARED TO A FEW YEARS AGO.** ”

WHY IN THE RICHEMONT CAMPAIGN DID BLUEBELL NOMINATE ONE OF YOUR OWN PEOPLE AND NOT AN INDEPENDENT, GIVEN FRANCESCO TRAPANI'S HISTORY AT RICHEMONT RIVAL LVMH?

MT: Let me clarify that Trapani is completely independent, both from Bluebell – he resigned from being Chairman of Bluebell in December of last year – and from LVMH – from which he relinquished his position in 2016. Let me add that the concept of independence is vis-à-vis the target company (Richemont in this case), not the shareholder proposing the candidate. Furthermore, one could question how the appointment of Trapani is any different from that of Patrick

IN SEPTEMBER SOLVAY ANNOUNCED PLANS TO INVEST 15 MILLION EUROS (\$14.9 MILLION) TOWARD REDUCING THE RELEASE OF LIMESTONE RESIDUES INTO THE SEA FROM ITS FACILITY IN ROSIGNANO, ITALY, FOLLOWING PRESSURE FROM BLUEBELL TO ENHANCE ITS WASTE MANAGEMENT PRACTICES. BLUEBELL IS ALSO ACTIVELY PUSHING GLENCORE AND RWE TO ENHANCE DISCLOSURE OF THEIR NET-ZERO PATHWAYS.

Thomas, who until 2014 was CEO of Hermès, a direct competitor of Richemont, and who was appointed to the Richemont board a year ago.

WHAT ARE YOUR THOUGHTS CONCERNING RICHEMONT'S ANNOUNCEMENT TO SELL ITS STAKE IN NET-A-PORTER?

MT: It goes exactly in the direction we typically follow. A focus on hard luxury (jewelry and watches) and an exit from all “distractions.” The venture into online has cost Richemont’s shareholders around four billion euros (\$3.9 billion). Remember that while our campaign became public recently, ahead of this year’s annual meeting, we have been an investor in Richemont for almost two years and in this period have debated strategic issues, including online, with the company’s management and board.

HAS YOUR STRATEGY BEEN AFFECTED BY THE MACRO ENVIRONMENT, INCLUDING INCREASING INTEREST RATES?

MT: Our job is to identify quality companies that can do better and create shareholder value by implementing the suggestions we put forward. However, as my partner Giuseppe Bivona and I always say to the team, we don’t live in a vacuum, and we need to be mindful of the macro trends developing around us. That’s why, in the second half of last year, we made a few changes to the portfolio to include, for example, companies active in commodities and banks that are supposed to perform well in a higher interest rate environment.

IF YOU COULD INTRODUCE ONE CORPORATE GOVERNANCE MEASURE, WHETHER IT BE IN EUROPE, OR INTERNATIONALLY, WHAT WOULD IT BE?

MT: A mechanism that guarantees minority shareholders representation on the board, along the lines of the so-called “voto di lista” in Italy. This policy, also known as slate voting, made it mandatory for Italian-listed companies to have at least one director on the board to represent minority shareholders.

THANK YOU, MARCO. 

NEW ACTIVIST INVESTMENTS

THE LATEST ACTIVIST INVESTMENTS FROM AROUND THE WORLD.

ACTIVIST (S)	COMPANY	HQ	CAMPAIGN START DATE	CURRENT HOLDING	APPOINT PERSONNEL	REMOVE PERSONNEL	SOCIAL	DIVESTITURE	OPERATIONAL	GOVERNANCE	PUSH FOR M&A	DETAIL
SHARE	SYSCO		OCT 07, 2022	N/A	-	-	●	-	-	-	-	DETAIL
EWING MORRIS & CO. INVESTMENT PARTNERS	FIRST CAPITAL REAL ESTATE INVESTMENT TRUST		OCT 07, 2022	N/A	●	●	-	●	-	-	-	DETAIL
PETRUS ADVISERS	TEMENOS		OCT 07, 2022	N/A	-	-	●	-	●	●	-	DETAIL
KENNETH STEINER	NEWS CORP.		OCT 06, 2022	N/A	-	-	●	-	-	-	-	DETAIL
ENGINE CAPITAL	LIGHT & WONDER		OCT 04, 2022	N/A	-	-	-	-	-	-	●	DETAIL
IRENIC CAPITAL MANAGEMENT	BARNES GROUP		OCT 01, 2022	N/A	-	-	-	-	-	●	●	DETAIL
WARWICK SAUER	EXCELSIOR CAPITAL		OCT 01, 2022	2.67%	●	-	-	-	-	-	-	DETAIL
OOWAY GROUP	KITCHEN CULTURE HOLDINGS		OCT 01, 2022	21.19%	●	●	-	-	-	-	-	DETAIL

SOURCE: INSIGHTIA / ACTIVISM

NEW SHORT INVESTMENTS

THE LATEST DISCLOSED ACTIVIST SHORT INVESTMENTS.

SHORT SELLER	COMPANY	HQ	CAMPAIGN START DATE	ALLEGATIONS						
				ACCOUNTING FRAUD	COMPETITIVE PRESSURES	MISLEADING ACCOUNTING	STOCK PROMOTION	OVER-LEVERED	INDUSTRY ISSUES	DETAIL
ICEBERG RESEARCH	QUANTUM COMPUTING		OCT 06, 2022	-	●	-	-	-	-	DETAIL
BLEECKER STREET RESEARCH	JOBY AVIATION		SEP 30, 2022	●	-	-	-	-	-	DETAIL
SPRUCE POINT CAPITAL MANAGEMENT	BROADRIDGE FINANCIAL SOLUTIONS		SEP 29, 2022	-	-	-	-	●	-	DETAIL
VICEROY RESEARCH	TRUECALLER AB		SEP 29, 2022	-	-	-	-	-	●	DETAIL
JEHOSHAPHAT RESEARCH	ARRAY TECHNOLOGIES		SEP 16, 2022	●	-	-	-	-	-	DETAIL
KERRISDALE CAPITAL MANAGEMENT	AST SPACEMOBILE		SEP 16, 2022	-	-	-	●	-	-	DETAIL
NINGI RESEARCH	BRP GROUP		SEP 14, 2022	-	-	●	-	-	-	DETAIL
OSS RESEARCH	AIRBOSS OF AMERICA		SEP 09, 2022	-	●	-	-	-	-	DETAIL

SOURCE: INSIGHTIA / SHORTS

A yellow taxi sign with the text "TAXI TO GO" in bold, black, sans-serif capital letters. The sign is illuminated and stands out against a dark, blurred background of city lights at night. The background shows various bokeh lights in shades of orange, red, and white, suggesting a busy urban environment.

TAXI TO GO

With little hope of catching its main ridesharing rival and a stock under severe pressure, Lyft is becoming hard to ignore as a potential activist target, writes Josh Black.

LYFT

SECTOR	TECHNOLOGY
MARKET CAP	\$4.7 BN (MID-CAP)*
EXCHANGE	NASDAQ
TICKER	LYFT
HQ	SF, U.S.
CORPORATE GOVERNANCE SCORE**	13/20 (AVERAGE)



VULNERABILITIES



**NO.
DIRECTORS**



**DIRECTOR
SUPPORT**

San Francisco-based Lyft is cheap enough to be an acquisition target, cash-rich enough for buybacks, and has plenty of governance hooks for a campaign, making the ridesharing company particularly appealing for activists looking to push for a sale or revitalize its board.

According to Insightia's *Vulnerability* module, the stock is in the 96th percentile of companies most likely to be targeted by an activist investor.

ACTIVIST THESIS

Growth is an increasingly precarious business but with bucketloads of cash, low debt, and an undervalued stock, there could be buyers waiting to hail Lyft down. An activist could push for a sale or suggest changes to its business model that could help win the war for talent and boost revenues while improving its valuation. A sizeable share buyback could also support the stock.

While a leadership change or board refresh would probably help Lyft, an activist would have to be mindful of management's super-voting shares, which could make a proxy contest difficult to win.

CORPORATE STRUCTURE

Lyft is one of two big names in ridesharing in North America, known for its taxi service but increasingly diversifying into bike and scooter hire, as well as car rentals. It operates in one reporting segment and currently has little business outside of the U.S. and Canada.

An attractive characteristic from an investor perspective is the company's ambitious goal of achieving an all-electric fleet by 2030. In some regions, the company is perceived as being more supportive of its drivers than its major rival, Uber.

PEERS AND INDUSTRY

Ridesharing has had some indirect experience of activism; Carl Icahn was a longtime investor in Lyft before its 2019 initial public offering (IPO) and former Uber CEO Travis Kalanick was ousted by private equity owners in 2017 – again, before it went public.

Uber remains the bigger of the two, with \$25.5 billion of revenue in the past 12 months, compared with Lyft's \$3.7 billion. Its market capitalization is 10 times the size of Lyft's.

In fact, Lyft's enterprise value is now less than \$4.5 billion on account of its large cash balance. Even at a hefty premium, one of the big car manufacturers seeking to add ridesharing revenues could make an offer to acquire the company. General Motors, Ford, Toyota, or BMW could be among the bidders, given their previous interest in diversifying their revenues. Ford has partnered with Lyft on past projects and is having a good year, so could be the lead candidate.

PERFORMANCE AND VALUATION

As growth companies, both Uber and Lyft are highly susceptible to macroeconomic conditions and went public just as investors were starting to turn against growth stocks. However, Lyft's recent performance has been particularly concerning, with a total shareholder return (TSR) of negative

* At time of original publication on September 6, 2022, Lyft's market cap was \$5.7 million.

**SOURCE: INSIGHTIA / GOVERNANCE

A higher score indicates a more shareholder-friendly corporate governance structure.

70% in the past 12 months, compared with a negative 30% return for Uber.

Lyft is also the value stock of the two, trading at 1.4 times sales, compared with 2.2 times for Uber. That could make buybacks attractive, with Lyft holding \$1.8 billion of cash and short-term investments on its balance sheet, according to its second-quarter earnings announcement.

“WITH LITTLE HOPE OF CATCHING ITS MAIN RIDESHARING RIVAL AND A STOCK UNDER SEVERE PRESSURE, LYFT IS BECOMING HARD TO IGNORE AS A POTENTIAL ACTIVIST TARGET.”

FINANCIAL PERFORMANCE

Lyft has always made big losses and revenues have only just started to recover from the pandemic, which makes its recent performance a poor guide for its overall prospects. However, management is bullish. After a spending spree in 2019 to support the IPO, EBITDA is starting to recover to 2017 levels.

Meanwhile, Uber is arguably making greater strides toward profitability, recording positive EBITDA in 2021. Part of the problem is Lyft's high cost of sales, which increases whenever it generates higher revenue. Fixing that problem with its business model should be a priority.

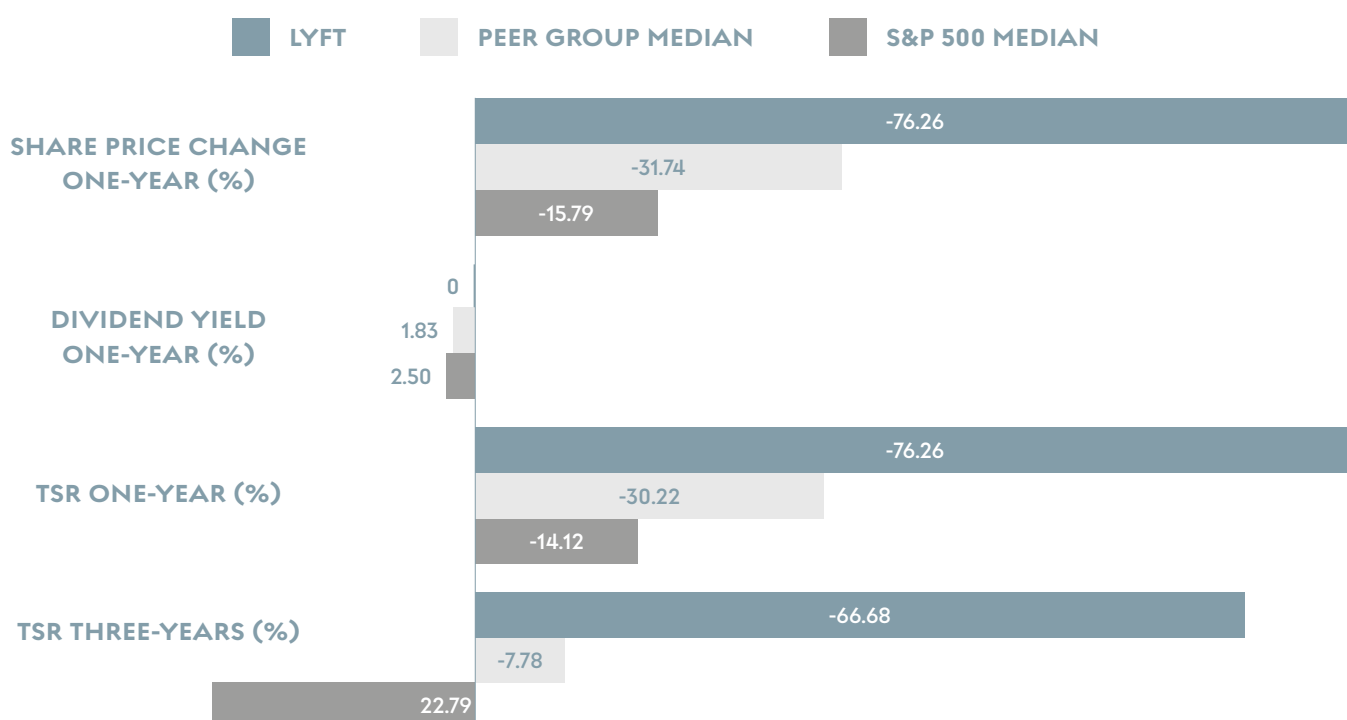
With Uber reporting revenue growth of 31% over the past three years, compared with 8.5% for Lyft, Lyft's best strategy might be to focus on its quality of revenue, rather than growth at all costs. With activists currently favoring subscription-based businesses like Disney+, Netflix, and The New York Times, Lyft could consider a much greater push to charge its users on a monthly or annual basis, which in turn could help driver recruitment and retention, further burnishing its reputation for looking after its contractors and winning ESG plaudits.

CORPORATE GOVERNANCE AND MANAGEMENT

Unlike Uber, Lyft is still run by one of its founders. Logan Green has spent 15 years at the helm and though he is young at just 38 and popular, with support of 95%, fresh leadership might not be amiss.

The company has had a separate chairman for the past three years, but its board could yet be more shareholder friendly. An activist could call for an end to its staggered board and the right to call shareholder meetings to address its “average” rating on Insightia's *Governance* module.

ONE-YEAR AND THREE-YEAR TOTAL SHAREHOLDER RETURN (TSR) VS PEER GROUP MEDIAN AND S&P 500 MEDIAN



SOURCE: INSIGHTIA / VULNERABILITY
*DATA AS OF SEPTEMBER 30, 2022.

Shareholders seem to agree, giving six of the nine directors less than 90% support over the last few election cycles. Two of its three female directors are running close to being considered overboarded and additional diversity could be added, not necessarily at the expense of sitting directors as the nine-person board could be considered slightly smaller than needed for a company of this size.

SHAREHOLDER REGISTER

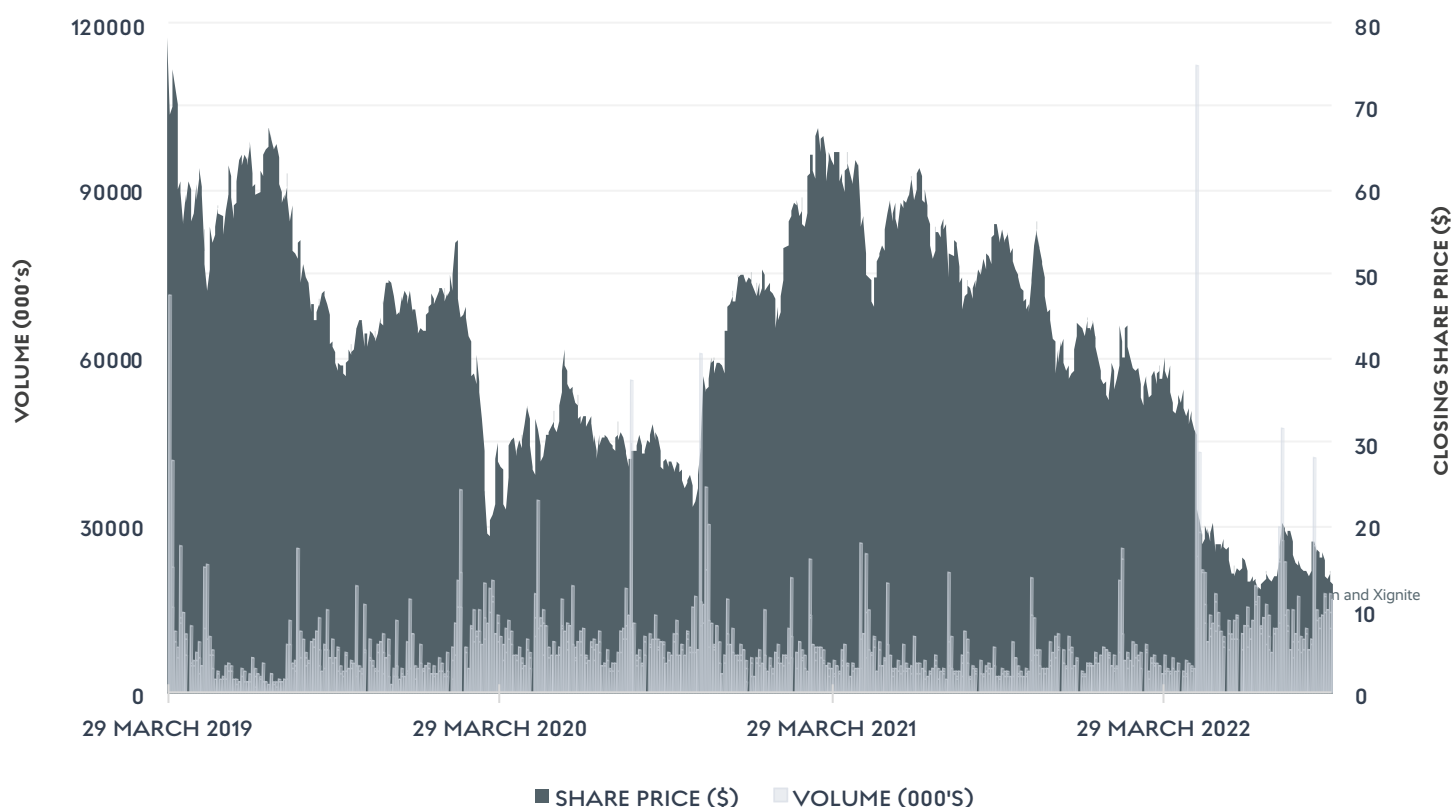
Winning a hostile shareholder campaign might be more difficult than hailing a rideshare after a music festival, with

insiders holding 34% of the voting power and Lyft disclosing business relationships with three of its top five shareholders in its proxy statement.

However, if investors are frustrated enough with the company's performance and see an opportunity to maximize shareholder value, they might take it. Occasional activists own 2.7% of the company's stock already, compared with less than 1% for the average company, suggesting some hidden value has already been identified. [iQ](#)

DISCLAIMER: Insightia Vulnerability reports use proprietary data, along with third-party analyst reports and, in certain cases, interviews with industry sources to identify companies that might become activist targets. They represent an analytical attempt at predicting companies that may be engaged by an activist from a wide range of possible targets and are in no way intended to indicate that a speculated event is imminent or will take place. Insightia does not provide investment advice or accept responsibility for the result of trades based on Insightia Vulnerability reports or descriptions of Insightia Vulnerability reports by third-party media.

LYFT SHARE PRICE PERFORMANCE (29/03/2019 – 30/09/2022)



PERSONNEL MOVES

THE LATEST HIRES AND APPOINTMENTS IN THE GOVERNANCE INDUSTRY.

U.S.

Yie-Hsin Hung – State Street Global Advisors (SSGA)

CEO

Yie-Hsin Hung will join SSGA as president and CEO in December, replacing Cyrus Taraporevala. Hung joins from New York Life Investment Management, where she has been CEO since 2015. Taraporevala will take on the role of adviser, remaining with the money manager through early 2023 to ensure a smooth transition of responsibilities.

Amani Boros – State Street International

Head of ESG

State Street International appointed Amani Boros as its new head of ESG. In her new role, Boros will be responsible for leading the firm's sustainability and ESG strategy and overseeing communication with clients, regulators, and stakeholders. Boros joins State Street from Thomson Reuters where she served as director of ESG and enterprise risk management.

Jackie VanderBrug – Putnam Investments

Head of sustainability strategy

Putnam Investments appointed Jackie VanderBrug to be its new head of sustainability strategy. In this newly created position, VanderBrug will be responsible for leading the firm's ESG-focused business functions including engagement, ESG strategy, and integration. VanderBrug, who will also join Putnam's operating committee, joins from Bank of America, where she worked as its head of sustainable and impact investment strategy.

Eric Cohen – JPMorgan Chase Commercial Banking

Head of green economy

JPMorgan Chase Commercial Banking hired Eric Cohen to be its head of green economy. In this position, Cohen will be responsible for leading the bank's strategy for advancing decarbonization through transformative technologies. Cohen joins the company from Fifth Third Bank where he worked for the last 10 years, most recently operating as the firm's managing director for its renewable energy finance team.

EUROPE

Daniel Hanna – Barclays

Global head of sustainable finance for corporate and investment banking

Barclays hired Daniel Hanna to be its global head of sustainable finance for the corporate and investment bank. Based in London, Hanna will be responsible for connecting the bank's sustainability efforts across its sustainable capital markets, sustainable and impact banking, and sustainable product group teams, along with Barclays' sustainability and ESG team. Before this, Hanna was responsible for creating Standard Chartered's sustainable finance business and led its sustainable finance strategy.

John McCalla-Leacy – KPMG International

Global head of ESG

KPMG International announced the appointment of John McCalla-Leacy as Global head of ESG. In this role, McCalla-Leacy will ensure that the professional services firm delivers on its \$1.5-billion ESG investment commitment and assist in accelerating global client solutions for ESG opportunities.

Will Jackson-Moore – PwC

Global ESG leader

Will Jackson-Moore joined PwC as its new global ESG leader, responsible for ramping up the global professional services firm's ESG practice and capabilities. Jackson-Moore has been with PwC for over 30 years and most recently served as the firm's global private equity, real assets, and sovereign funds leader.

Alexandra Palinska – Eurosif

Executive director

Responsible investment firm Eurosif appointed Alexandra Palinska as its new executive director. In this role, Palinska will be managing the firm's implementation of its long-term strategy to develop and instate the E.U. Sustainable Finance Agenda. Palinska fills the position left vacant by the departure of Victor van Hoorn, who left Eurosif to join the Investment Company Institute (ICI) in May.

Andrea Rossi – M&G**CEO**

U.K.-based fund manager M&G appointed Andrea Rossi as its new CEO. Rossi has over 22 years of experience in the global insurance and asset management sectors, mostly from his time as CEO of Axa Investment Management. Rossi will replace the departing John Foley, who announced he would be stepping down from the position after seven years in the role, back in June.

REST OF THE WORLD**Kemmu Kawai – Longevity Partners***Country director of Japan and Asia*

ESG advisory firm Longevity Partners appointed Kemmu Kawai as its new country director of Japan and Asia. Kawai will lead the company's new Japan office, which will serve as its headquarters for the Asia Pacific region. Kawai joins Longevity from Tokyo-based real estate-focused asset management company CenterPoint Development.

DIRECTOR UPDATES

THE LATEST DIRECTOR MOVES ON PUBLIC BOARDS.

Carolyn Everson – Walt Disney Co.

Walt Disney appointed media veteran Carolyn Everson to its board as part of a deal with activist investor Third Point Partners. Activist CEO Daniel Loeb had been pushing for Disney to spin off sports broadcaster ESPN, however, the media giant rejected the idea. Everson, who has experience at Microsoft, Meta Platforms, and Viacom, will join the company board on November 21.

Wael Sawan – Shell

Shell announced that Wael Sawan will take over as company CEO at the start of next year, following current CEO Ben van Beurden's decision to step down. Sawan is currently the company's director of integrated gas, renewables, and energy solutions. While van Beurden is scheduled to depart his role on January 1, he will stay on as an adviser on Shell's board until June 2023.

Keith Meister – Kindred Group

Malta-based online gambling operator Kindred Group appointed activist investor Keith Meister as chairman of its nomination committee. Meister, whose activist hedge fund Corvex Management is the largest shareholder with a 15% stake, previously indicated plans to participate in

the formation of Kindred's nomination committee, noting that a board aligned with shareholder interests would be better positioned to weigh potential alternatives against the company's current business plan.

Jody Bilney – Cracker Barrel Old Country Store

Cracker Barrel Old Country Store agreed to appoint Jody Bilney to its board following a settlement with \$678-million hedge fund Biglari Capital. Biglari, a 9% stakeholder of Cracker Barrel, nominated both Bilney and Kevin Reddy to the now 11-person board, but the two competing firms eventually settled on the election of just the former. Bilney brings restaurant industry experience to the board, formerly acting as chief brand officer at Bloomin' Brands.

Ho Yongho and Hogwan Choi – Seongan

A shareholder alliance seeking to refresh Seongan's board won two director seats out of the five initially targeted at the South Korean textile manufacturer's September 20 special meeting. The activists, holding a combined 3% stake, said they were concerned that Seongan was not managed transparently and failed to act in the interest of shareholders. [iQ](#)

BOARD DIVERSITY GAPS

WHILE PROGRESS CONTINUES TO BE MADE TO DRIVE GENDER DIVERSITY ON BOARDS, OTHER DIVERSITY MEASURES FALL SIGNIFICANTLY BEHIND THE CURVE, WRITES DILIGENT'S ROSS POUNDS.

What's the state of global boardroom diversity in 2022? The answer to this question depends on what part of the world you're looking at — and which aspect of diversity. Diligent recently published its *2022 Global Modern Leadership Report*, looking at data on how gender, race, LGBTQ+, age, and skills diversity play out. We also explored how different aspects of diversity intersect — for instance, when boards onboard more female directors, they often diversify their boards along multiple characteristics at the same time.

SKILL-BASED DIVERSITY IS IN DEMAND

Ensuring the board features a wide range of perspectives is the most important aspect of board diversity, according to Diligent's research. Nearly half (48%) of directors look at filling a specific area of expertise for new board members rather than purposefully seeking a candidate based on race, gender, or age (15%).

“THREE TIMES AS MANY FEMALE DIRECTORS HAVE PROFESSIONAL BACKGROUNDS IN SUSTAINABILITY- AND ESG-RELATED ROLES, COMPARED TO MEN.”

Female directors are more likely to bring expertise in areas such as technology, legal issues, and sustainability. In fact, we found that three times as many female directors have professional backgrounds in sustainability- and ESG-related roles, compared to men.

GENDER DIVERSITY

Gender diversity has increased worldwide over the past several years, with 27% of board seats worldwide being currently held by women. Catalysts for the surge include regulations, legislations, and quotas, such as France's mandated quota of 40% female directors, not to mention increased disclosures.

Yet the picture gets more complicated with a closer view. While female board representation averages 31% for companies

in Europe and the U.K., this figure is only 14% in Asia. Wide variation exists across countries. Take, for example, the nearly 40% female board representation in Sweden and France compared to representation of less than 25% in Greece and Luxembourg. India is similarly an outlier in Asia. Here female directors occupy 18% of board seats, and 70% of the nation's 50 largest companies have either two or three female directors.

Countries are making progress at different paces and from differing starting points. In Canada, 41% of new director appointments through May 2022 were female, following 45% in 2021. On the other side of the world, the United Arab Emirates' (UAE) efforts to improve gender diversity in the boardroom have led to more women directors: 8.9% in 2022, up from 3.5% in 2020.

Overboarding further skews the view of progress. In Australia, for example, female directors hold approximately 30% of board seats, a five-percentage point increase since 2019. Yet Australian boards may be tapping the same women for open board roles: 42% of female directors hold three or more board seats compared to 18% of male directors.

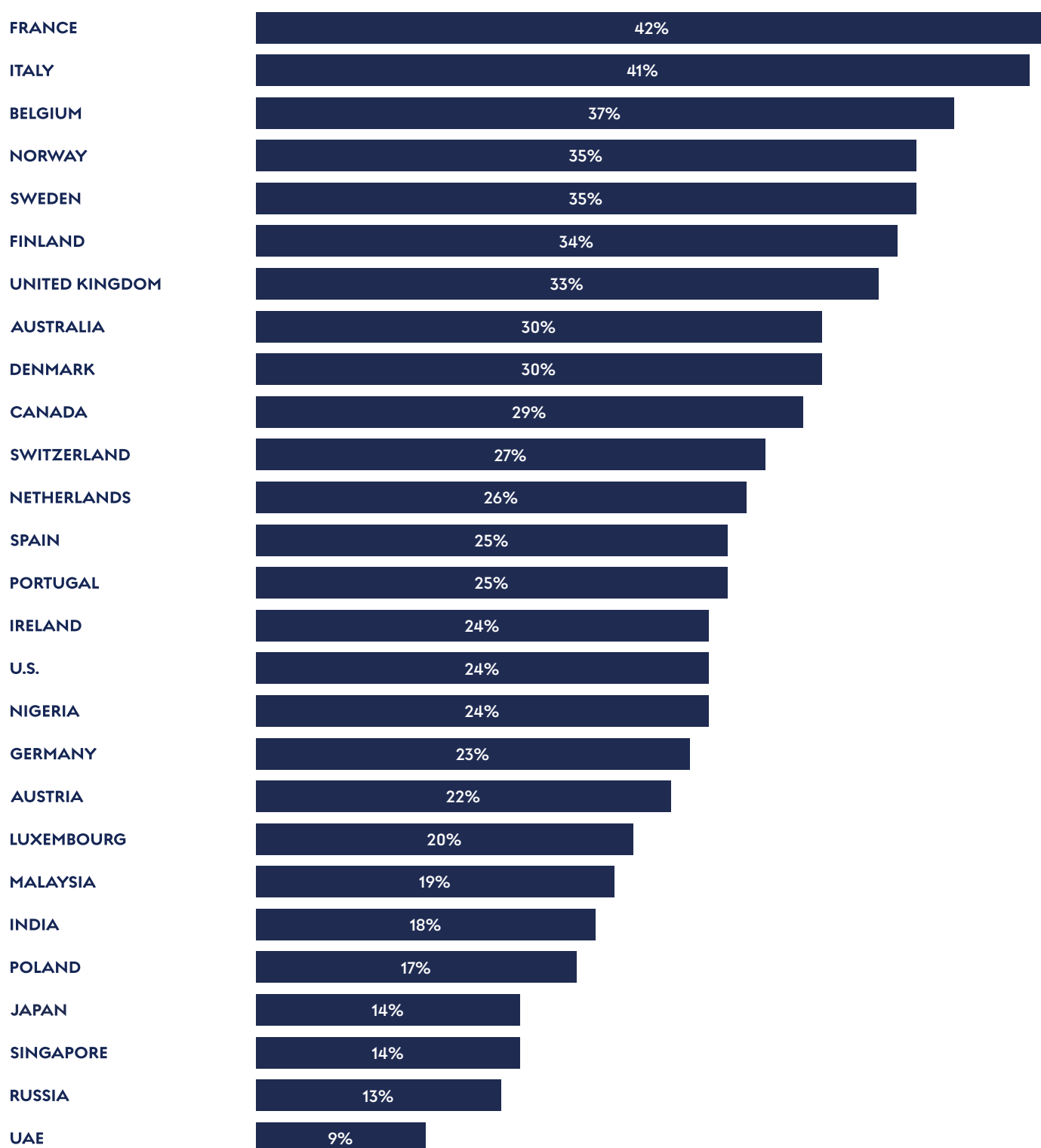
EMERGING CONNECTIONS

While average tenure has increased since 2019 for both men and women, female directors tend to have shorter tenures than their male counterparts. Why is this the case? Female directors are more likely to be non-executive or independent directors — about 84% of women compared with only 59% of men. Driving this trend is the fact that men are more likely to ascend into an executive board position from a C-suite role while women are more likely to join the board from outside of the organization.

Diligent's research also revealed interesting interconnections across age and skill sets. Japan reports the world's oldest directors, with more than half surveyed being between 65-70 years old. Most of these directors have skills in finance, with relatively few backgrounds in technology or sustainability.

Malaysia and Singapore, by contrast, report younger board slates. In fact, more than one-third of companies in these two countries have two or more directors under age 50. Almost all directors have business management, accounting, and legal backgrounds — with some boards adding expertise in areas such as technology, investment banking, M&A, public relations, human relations, and risk management.

PERCENTAGE OF BOARD SEATS HELD BY FEMALE DIRECTORS BY COUNTRY



Percentages have been rounded to nearest whole number.

SOURCE: DILIGENT, AND DATA PROVIDED BY RESEARCH PARTNERS*

* Partners providing data for this chart include: Esade, Hawkamah, Human Resource and Governance Leaders (HRGL), Institut Luxembourgeois des Administrateurs (ILA), IOD India, University of Lagos (Unilag), The Center of Excellence for Sustainable and Social Inclusion (COE-SES), WTW (formerly known as Willis Towers Watson).

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RACIAL/ETHNIC DIVERSITY

Racial/ethnic diversity on S&P 500 boards increased by a mere one percentage point from 2021 to 2022. Among the 22% of directors who are racially/ethnically diverse, 11% are Black/African American, 5% are Hispanic/Latino(a), and 6% are Asian.

“31% OF FORTUNE 1000 COMPANIES HAVE A LATINO DIRECTOR, UP FROM 13% A DECADE BEFORE.”

Overboarding and underreporting may skew these figures even more. In 2020, over 40% of Black/African American directors were serving on multiple Fortune 500 boards. Furthermore, disclosures in countries like the U.S. are mostly voluntary, meaning that the companies providing the racial/ethnic makeup of their boards tend to have more progressive policies in place.

Yet there have been some encouraging areas of progress.

Today, 31% of Fortune 1000 companies have a Latino director, up from 13% a decade before, and approximately 90% of FTSE 100 companies now have at least one board member from an underrepresented racial or ethnic group

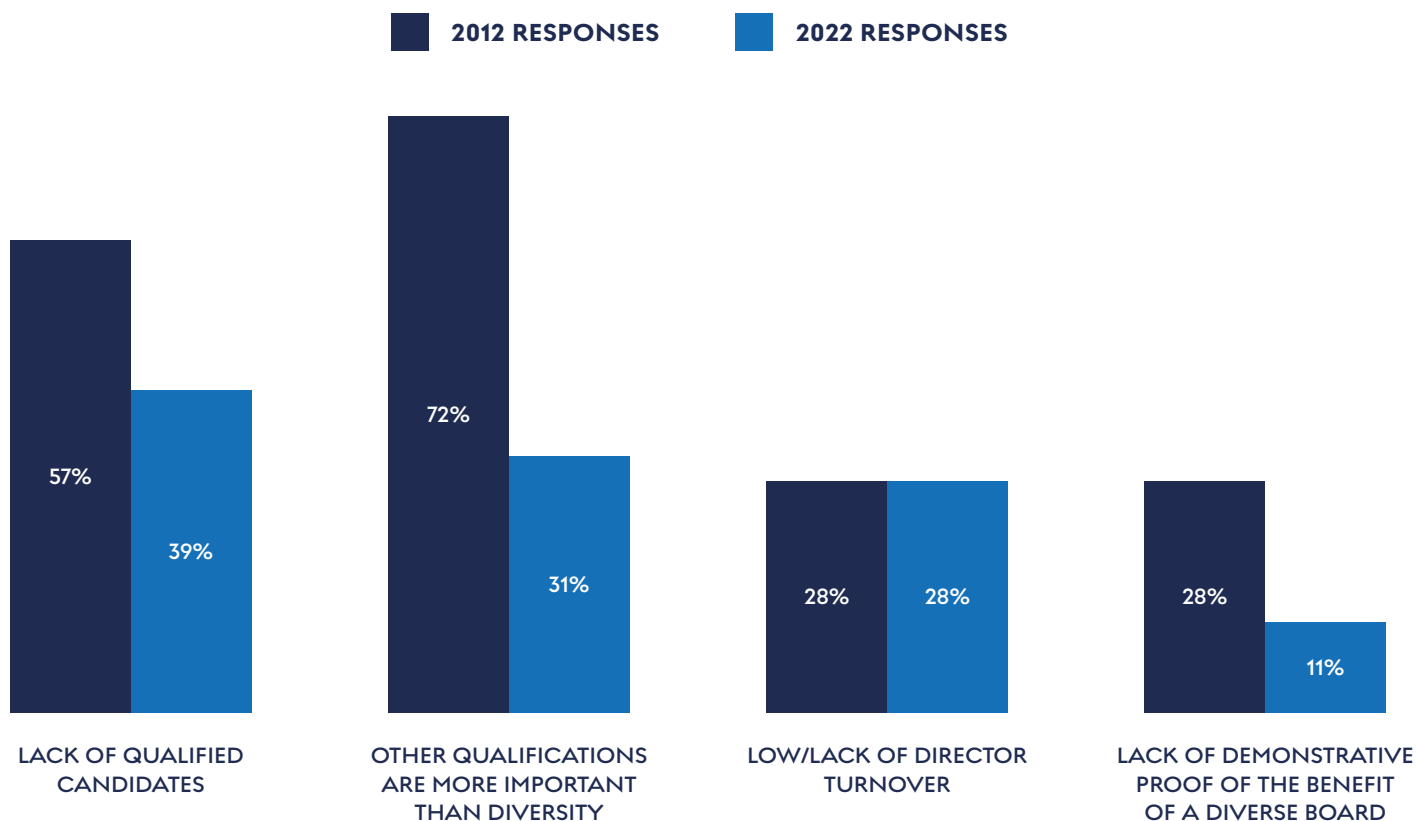
LGBTQ+ REPRESENTATION

It's difficult to get a picture of LGBTQ+ diversity in the boardroom because very little data exists in this area outside of the U.S. Reasons may include regional differences when recognizing and tracking LGBTQ+ status, personal privacy challenges for these disclosures, and stigma and cultural disparities surrounding LGBTQ+ acceptance.

Among Fortune 500 companies, members of the LGBTQ+ community hold only 26 of 5,670 (0.5%) board seats, with several seats held by the same person, and only 23 companies currently have LGBTQ+-inclusive board policies. In an encouraging note, however, this figure is nearly double the number from 2021.

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OBSTACLES TO DIVERSITY IN THE BOARDROOM



Note: Respondents were asked to select all that apply.

SOURCE: DILIGENT'S 2022 GLOBAL MODERN LEADERSHIP REPORT.

368 U.S. BOARD DIRECTORS SURVEYED.

Making abstraction of those directors who respond they don't know in 2022 – an option that was not provided 10 years ago – the data still finds a lower proportion (71%) of board members who believe diversity in the boardroom adds value for shareholders.

GUNNING FOR CHANGE

AS PRESIDENT JOE BIDEN READIES LEGISLATION TO BAN ASSAULT WEAPONS, ESG ACTIVISTS ARE MAKING ANOTHER PUSH FOR GUN SAFETY IN THE U.S. THROUGH THE SHAREHOLDER FRANCHISE, WRITES JOSH BLACK.

The human rights risks that weapon manufacturing and sales pose to issuers became only too evident in September, with concerned shareholders launching several campaigns aimed at addressing gun safety.

One such campaign involved the New York City Comptroller Brad Lander, alongside political grandees at the city and state levels, the California State Teachers' Retirement System (CalSTRS), and Amalgamated Bank, asking credit card companies Mastercard, Visa, and American Express to create a new merchant category code for gun and ammunition stores, allowing these institutions to better track suspicious activity by identifying purchases linked to firearms.

Later that month, a shareholder proposal asking Smith & Wesson, one of two major listed gun manufacturers, to enhance its human rights-related policies won 41.8% support, a significant increase compared to the 36% support it won back in 2019, according to Insightia's *Voting* module. A similar proposal at Sturm-Ruger received almost 69% support earlier this year.

The goal, says Judy Byron of the Intercommunity Peace & Justice Center, which filed the Smith & Wesson proposal, was "to move the companies to play a role in reducing gun violence by taking responsibility to assess the safety of their products and their marketing practices; and to track and monitor the adverse impacts of their products."

The focus by investors on weapons manufacturers is partly due to the investor movement's success in other sectors. Members of the Interfaith Center on Corporate Responsibility (ICCR) celebrated engagements with retailers Dick's Sporting Goods and Walmart, which led the pair to take some guns off their shelves between 2018 and 2019.

"Dick's Sporting Goods and Walmart have taken bold steps to do their part in implementing gun violence prevention and gun safety strategies," CommonSpirit Health's Laura Krausa told Insightia in an interview. "Their commitments set examples for other firearm retailers, distributors, and manufacturers."

"We definitely need an Ed Stack of Dick's Sporting Goods in the firearm manufacturing industry to take a positive stand on the need for the sector to offer solutions to increasing gun violence," added Byron, referencing the former CEO who made big changes to the retailer's gun policies in 2018 and subsequently lobbied politicians.

ICCR also wrote to logistics companies FedEx and UPS to identify measures to prevent the sales of "ghost guns" –

firearms that can be assembled at home. Earlier this year, the Biden administration launched a handful of rules to make ghost guns more traceable and criminalize unlicensed manufacturers.

A shareholder proposal on ghost gun measures at Mastercard received just 10% support in June and calls for new merchant category codes may also be considered "overly prescriptive," a term shareholders have used to describe some ESG proposals this proxy season.

Activists have similarly called on credit card companies to tighten regulations for potentially harmful content. Over the last year, Pershing Square Capital Management's Bill Ackman has pressed Visa and Mastercard to ban pornography companies with lax controls on illegal content from their networks, even offering to help fund lawsuits against the companies. The activist investor does not own shares in either company, however, and the main leverage has been through public pressure and reporting, rather than through the shareholder franchise.

“THE FOCUS BY INVESTORS ON WEAPONS MANUFACTURERS IS PARTLY DUE TO THE INVESTOR MOVEMENT’S SUCCESS IN OTHER SECTORS.”

That distinction may not bother the leaders of this campaign. The combination of public pressure, regulation, and winning over substantial chunks of a company's owners is a deliberate strategy and one that public pension funds are uniquely well-suited to. Plus, the New York City Comptroller's campaign is already bearing fruit, with the International Organization for Standardization (ISO) approving an application to establish a merchant category code for gun and ammunition retailers.

With New York State losing a Supreme Court case over its concealed carry laws earlier this summer, there is renewed political urgency to tackle gun safety through other means. And if it leads to results through negotiations with the credit card companies rather than a shareholder vote, politicians, and fund managers won't sweat the difference. [iQ](#)

SUPPORT FOR HUMAN RIGHTS SHAREHOLDER PROPOSALS AT WEAPONS MANUFACTURERS

2022 YTD*			
COMPANY	PROPONENT	RESOLUTION	FOR (%)
SMITH & WESSON BRANDS	ADRIAN DOMINICAN SISTERS	ADOPT A COMPREHENSIVE HUMAN RIGHTS POLICY.	41.8
STURM RUGER & CO.	COMMONSPIRIT HEALTH	OVERSEE AND REPORT A THIRD-PARTY HUMAN RIGHTS IMPACT ASSESSMENT.	68.5
LOCKHEED MARTIN	SISTERS OF ST. FRANCIS OF PHILADELPHIA AND SISTERS OF CHARITY OF ST. ELIZABETH	REPORT ON HUMAN RIGHTS IMPACT ASSESSMENT.	20.2
GENERAL DYNAMICS	THE FRANCISCAN SISTERS OF ALLEGANY	REPORT ON HUMAN RIGHTS DUE DILIGENCE.	25.2

2021			
COMPANY	PROPONENT	RESOLUTION	FOR (%)
SMITH & WESSON BRANDS	CAMILLA MADDEN CHARITABLE TRUST AND THE ADRIAN DOMINICAN SISTERS	ADOPT A COMPREHENSIVE HUMAN RIGHTS POLICY.	43.9
LOCKHEED MARTIN	SISTERS OF ST. FRANCIS OF PHILADELPHIA AND SISTERS OF CHARITY OF ST. ELIZABETH	REPORT ON HUMAN RIGHTS DUE DILIGENCE.	32.2
NORTHROP GRUMMAN	SISTERS OF ST. DOMINIC OF CALDWELL NEW JERSEY AND SCHOOL SISTERS OF NOTRE DAME	REPORT ON HUMAN RIGHTS IMPACT ASSESSMENT.	22.4

2020			
COMPANY	PROPONENT	RESOLUTION	FOR (%)
NORTHROP GRUMMAN	SISTERS OF ST. DOMINIC OF CALDWELL NEW JERSEY	REPORT ON HUMAN RIGHTS IMPACT ASSESSMENT.	24.2
SMITH & WESSON BRANDS	CAMILLA MADDEN CHARITABLE TRUST AND THE ADRIAN DOMINICAN SISTERS	ADOPT A COMPREHENSIVE HUMAN RIGHTS POLICY.	WITHDRAWN FOR AGREEMENT

SOURCE: INSIGHTIA / VOTING

*DATA AS OF SEPTEMBER 30, 2022.

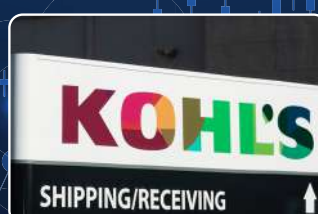
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IN THIS MONTH'S WEEKLY WRAP NEWSLETTERS, WE EXPLORED MOUNTING PUSHBACK TO THE ANTI-ESG MOVEMENT, PRESSURE ON KOHL'S TO REMOVE ITS CEO AND CHAIR, AND VICEROY RESEARCH SHORTING TRUECALLER.






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UPCOMING EVENTS

A SELECTION OF UPCOMING MEETINGS AND SHAREHOLDER PROPOSALS.

Meetings

ISSUER	TYPE	HQ	DATE	
RIO TINTO	SPECIAL		OCT 25, 2022	DETAIL
AIM IMMUNOTECH	ANNUAL		NOV 03, 2022	DETAIL
1414 DEGREES	ANNUAL		NOV 11, 2022	DETAIL
ORACLE CORP.	ANNUAL		NOV 16, 2022	DETAIL
GOLD FIELDS	SPECIAL		NOV 22, 2022	DETAIL

Shareholder proposals

ISSUER	INVESTOR	HQ	MEETING DATE	
CINTAS	INTERNATIONAL BROTHERHOOD OF TEAMSTERS		OCT 25, 2022	DETAIL
Report on political contributions. Annually report on corporate political donations and related policies.				
KLA CORP.	UNNAMED		NOV 02, 2022	DETAIL
Disclose net-zero targets. Report on a timeline for setting net-zero emissions targets and a climate transition plan.				
NEWS CORP.	KENNETH STEINER		NOV 15, 2022	DETAIL
Report on lobbying policies and procedures. Disclose the company's policies and procedures governing lobbying and political spending.				
NEW HOPE CORP.	MARKET FORCES		NOV 24, 2022	DETAIL
Report on capital protection. Annually report on how the company's capital expenditure and operations pertaining to coal assets will be managed in a manner consistent with a net-zero by 2050 scenario.				
WHITEHAVEN COAL	MARKET FORCES		NOV 26, 2022	DETAIL
Report on capital protection. Annually report on how the company's capital expenditure and operations pertaining to coal assets will be managed in a manner consistent with a net-zero by 2050 scenario.				

SOURCE: INSIGHTIA / VOTING