INSIGHTIA MONTHLY

VOLUME 1 ISSUE 9 | NOVEMBER 2022

THE LONG AND SHORT OF IT

Activist short-sellers have profited as ESG darlings fall to earth

IS YOUR COMPANY VULNERABLE?

Boards must remain vigilant should they wish to avoid shareholder activism

GOVERNANCE

ENGAGEMENT

STEWARDSHIP

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WELCOME

REBECCA SHERRATT
PUBLICATIONS EDITOR, INSIGHTIA.

With 2022 nearing its end, activists and institutional investors alike are gearing up for the coming season. Investors are filing the first shareholder proposals of the 2023 season, an operation always worth observing in a bid to identify investors' priorities and potential key trends of the new year.

Responsible investment powerhouse As You Sow's first few proposals of the season are seemingly geared towards transition plan reporting, calling on financial institutions and manufacturers to report on progress made in achieving their 2030 climate targets. Proposals concerning deforestation and diverse employee retention rates are also among the first to be filed ahead of the new season.

In identifying the trends of the new season, it is equally important to take stock of the previous year. This month, our lead article reflects on the notable trends in 2022 short campaigns. A number of themes have emerged in recent months in the shorts space, including the arguably inevitable focus on ESG.

An increasing number of companies are being targeted by short sellers, amid claims that their share prices have been inflated by bogus ESG claims and commitments. Generac, Oatly Group, and Energy Vault Holdings are just a selection of companies to recently face activist short engagement linked to their ESG credentials.

"ESG is rife with fraud," Hindenburg Research founder Nate Anderson told *Insightia Monthly* in an interview. "Companies with a whiff of ESG got showered with money. Attracted a who's who of the worst kind of stock promoters."

Also in this issue, we delve into how companies can mitigate the risks of activist engagement. In the wake of recent stock selloffs and with the economy facing a possible recession, activists are scanning the financial horizon for new investment opportunities. Insightia's *Vulnerability* module presents insight into which factors are statistically significant in predicting future activist investment and how companies can address investor concerns to alleviate risk.

We are also pleased to speak with Josh Zinner, CEO of the Interfaith Center for Corporate Responsibility (ICCR). Founded in 1971, the $4 trillion responsible investment coalition will no doubt be a familiar name to many of our readers, its members regularly submitting proposals calling on U.S. issuers to enhance their ESG disclosure.

Zinner shares with us his thoughts on why the 2022 proxy season was such a successful one for ESG advocates, the importance of enhancing political spending accountability, and the legitimacy of claims that ESG proposals are becoming overly prescriptive.

This edition, we also explore why Kraft Heinz is vulnerable to activism, why the spotlight is turning to financial institutions to make good on their net-zero commitments, and the pros and cons associated with companies separating the roles of CEO and chair.

If you haven't already, make sure to download our *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.

Also keep an eye out for our inaugural *Compensation* special report, which will explore the latest trends relating to CEO pay and remuneration. The report follows the release of our new Insightia *Compensation* module, providing unprecedented transparency and comparison tools for global pay plans.

On November 17, Diligent is also hosting a webinar titled; Executive Compensation Trends and Predictions for 2023. Together with Willis Towers Watson, we will review the current compensation landscape and discuss what the future might hold in the increasingly complex world of investor engagement. Book your tickets **here**.

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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MONTHLY SUMMARY

THE LATEST TRENDS IN GOVERNANCE AND SHAREHOLDER ENGAGEMENT.

NO. PUBLIC DEMANDS MADE BY YEAR AND GROUP

IN THE PERIOD JANUARY 1 – OCTOBER 31

DEMAND GROUP	2021 YTD*	2022 YTD*	YOY CHANGE %
APPOINT PERSONNEL	254	267	⬆ 5.12
CAPITAL STRUCTURE	32	44	⬆ 37.50
DIVESTITURE	57	57	0.00
ENVIRONMENTAL	82	128	⬆ 56.10
GOVERNANCE	367	386	⬆ 5.18
OPERATIONAL	62	61	⬇ 1.61
OPPOSE M&A	62	42	⬇ 32.26
PUSH FOR M&A	57	57	0.00
REMOVE PERSONNEL	131	162	⬆ 23.66
REMUNERATION	84	109	⬆ 29.76
RETURN CASH TO SHAREHOLDERS	93	118	⬆ 26.88
SOCIAL	108	142	⬆ 31.48

SOURCE: INSIGHTIA / ACTIVISM
**DATA AS OF OCTOBER 31, 2022.*

AVERAGE AGE AND TENURE OF DIRECTORS BY INDEX

INDEX	NO. DIRECTORS	AVERAGE AGE	AVERAGE TENURE
RUSSELL 3000	27,441	61	7
S&P 500	5,527	63	8
FTSE 350	3,100	60	5

SOURCE: INSIGHTIA / GOVERNANCE
**DATA AS OF NOVEMBER 2, 2022.*

AVERAGE SUPPORT FOR (%) FTSE 350 AND S&P 500 "SAY ON PAY" PLANS

	S&P 500			FTSE 350		
YEAR	NO. PROPOSALS	AVERAGE SUPPORT	NO. FAILED PLANS	NO. PROPOSALS	AVERAGE SUPPORT	NO. FAILED PLANS
2018	468	91.4	6	317	93.6	3
2019	469	90.4	9	323	93.4	1
2020	499	89.8	11	340	94.0	4
2021	482	88.4	18	343	93.4	3
2022 YTD*	454	87.5	19	316	92.9	3

SOURCE: INSIGHTIA / VOTING
**DATA AS OF OCTOBER 31, 2022.*

NO. COMPANIES PUBLICLY SUBJECTED TO ACTIVIST DEMANDS BY DEMAND YEAR AND COMPANY REGION

IN THE PERIOD JANUARY 1 – OCTOBER 31

COMPANY REGION	2021 YTD*	2022 YTD*	YOY CHANGE %
ASIA	122	154	⬆ 26.23
AUSTRALIA	65	49	⬇ 24.62
CANADA	40	46	⬆ 15.00
EUROPE (EXCLUDING U.K.)	115	81	⬇ 29.57
OTHER	19	17	⬇ 10.53
U.K.	41	39	⬇ 4.88
U.S.	433	466	⬆ 7.62
TOTAL	**835**	**852**	**⬆ 2.04**

SOURCE: INSIGHTIA / ACTIVISM
**DATA AS OF OCTOBER 31, 2022.*

NO. SHORT CAMPAIGNS AT ASIA-BASED COMPANIES, BY ANNOUNCEMENT YEAR AND ALLEGATION

IN THE PERIOD JANUARY 1 – OCTOBER 31

ALLEGATION	2021 YTD*	2022 YTD*	YOY CHANGE %
ACCOUNTING FRAUD	4	0	⬇ 100
BUBBLE	0	0	0
COMPETITIVE PRESSURES	0	1	N/A
DIVIDEND CUT COMING	0	0	0
INDUSTRY ISSUES	0	0	0
INEFFECTIVE ROLL-UP	0	0	0
MAJOR BUSINESS FRAUD	7	2	⬇ 71
MEDICAL EFFECTIVENESS	0	0	0
MISLEADING ACCOUNTING	2	0	⬇ 100
OTHER ILLEGAL	1	1	0
OTHER OVERVALUATION	2	0	⬇ 100
OVER-LEVERED	0	1	N/A
PATENT EXPIRATION	0	0	0
PATENT INVALID	0	0	0
PRODUCT INEFFECTIVE	1	0	⬇ 100
PYRAMID SCHEME	1	0	⬇ 100
STOCK PROMOTION	3	0	⬇ 100
UPCOMING EARNINGS MISS	0	0	0

SOURCE: INSIGHTIA / SHORTS
*DATA AS OF OCTOBER 31, 2022.

NEWS IN BRIEF

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

BOARDROOM BATTLES

Land & Buildings Investment Management named two director nominees in its proxy fight at Apartment Investment and Management Co. (Aimco), as well as calling for the removal of three of the company's directors. DETAIL

Crown Holdings adopted a 10% poison pill, mere days after activist investor Carl Icahn revealed a sizable holding and criticized the beverage-can maker's structure. DETAIL

Activist investor Saba Capital Management revealed a 5% stake in BlackRock ESG Capital Allocation Trust with a view to affecting change at the fund, including through a potential board push. DETAIL

Argo Group International moved to outline its achievements under current management in its bid to gain support ahead of its December 15 annual meeting, where activist Capital Returns Management is vying for two board seats. DETAIL

TNG dissident shareholder Grant Wilson recommenced his campaign for change at the Australian mining company, following the resignation of Neil Biddle from the company's board. DETAIL

New York Times Co., which is under pressure from ValueAct Capital Partners to improve performance, posted better than expected third-quarter results amid a rise in its digital subscriber base. DETAIL

State Street Global Advisors published an analysis of its proxy voting, suggesting that its support for activists has fallen thanks to issuers' greater responsiveness, sympathy for management during the pandemic, and more short-termism from dissidents. DETAIL

CAMPAIGNS DRAW TO A CLOSE

Elon Musk completed his long-awaited $44-billion takeover of Twitter. The Tesla billionaire, who originally made his bid to purchase the platform in April, proceeded to dismiss CEO Parag Agrawal and CFO Ned Segal after the deal closed. DETAIL

Shareholders in AIM ImmunoTech reelected all three of the company's incumbent directors at its November 3 annual meeting. DETAIL

Rio Tinto reached a truce with Pentwater Capital Management and SailingStone Capital Partners on the proposed take-private of Turquoise Hill Resources, removing a major impediment to the deal. DETAIL

U.S. coffee roaster Farmer Brothers averted a proxy contest with 22NW and JCP Investment Management by giving the activist funds two board spots and agreeing to a strategic review. DETAIL

Myer shareholders elected the director nominee advanced by Solomon Lew, a victory for the Australian billionaire retailer chasing the department store's board since 2017. Lew is the company's top shareholder. DETAIL

Energy storage company 1414 Degrees bowed to activist pressure and announced the resignation of four directors from its five-person board, including Chairman Tony Sacre. DETAIL

OXFAM FRANCE, FRIENDS OF THE EARTH FRANCE, AND NOTRE AFFAIRE À TOUS INITIATED LEGAL ACTION AGAINST BNP PARIBAS.

REGULATORY UPDATES

The Securities and Exchange Commission (SEC) voted 3-2 in favor of new rules requiring listed companies to have a policy allowing them to reclaim executive compensation in the event of an accounting restatement. Companies will also be required to disclose any actions taken to reclaim compensation. DETAIL

The U.S. regulator also adopted new proxy voting disclosure requirements. In a November 2 announcement, the SEC said institutional investors would be required to categorize their votes into 14 standardized categories. The rules also require investment managers to disclose how they voted on executive compensation. DETAIL

The European Securities and Markets Authority (ESMA) added ESG disclosures to its Union Strategic Supervisory Priorities (USSPs), which it uses to coordinate supervisory action with national competent authorities (NCAs) related to tackling greenwashing. DETAIL

The U.K. Financial Conduct Authority (FCA) proposed a package of new measures to include sustainability labels and restrictions in its bid to clamp down on greenwashing. The new standards include restrictions on how certain sustainability-related terms can be used in product names and marketing. DETAIL

TAKE IT TO COURT

Oxfam France, Friends of the Earth France, and Notre Affaire à Tous initiated legal action against BNP Paribas for continuing to finance “the most aggressive companies” responsible for developing new oil and gas fields. The French bank has three months to comply with the 2017 French duty of vigilance law, which stipulates that BNP must provide a robust plan to “identify, mitigate, and prevent” environmental risks arising from its activities. DETAIL

Former OKWave directors Michio Fukuda and Masanori Nozaki filed a lawsuit against the Japanese software manufacturer, calling for the August 25 special meeting decision to dismiss them to be reversed. DETAIL

U.S. biotech company Cassava Sciences took Quintessential Capital Management to court, alleging last year’s short report was a scheme to defame it for profit. DETAIL

A group of investors, including the Church of England Pensions Board and AkademikerPension, launched legal action against Volkswagen over concerns that the auto giant’s lobbying activities could be running counter to its stated climate ambitions. This marks the first time that investors have started European litigation on a climate-related matter. DETAIL

A GROUP OF INVESTORS, INCLUDING THE CHURCH OF ENGLAND PENSIONS BOARD AND AKADEMIKERPENSION, HAS LAUNCHED LEGAL ACTION AGAINST VOLKSWAGEN.

ESG ENGAGEMENTS

Missouri State Treasurer Scott Fitzpatrick announced that the Missouri State Employees' Retirement System (MOSERS) sold its equities managed by BlackRock, worth approximately $500 million. This follows similar moves by West Virginia, Louisiana, and Texas to divest from the fund giant, amid concerns of BlackRock allegedly "boycotting" energy companies. DETAIL

A group of 602 investors issued a call to governments around the world to implement the policy actions needed to address the climate crisis and accelerate the transition to net-zero emissions ahead of COP27. DETAIL

ShareAction said it was "extremely concerned" by The Glasgow Financial Alliance for Net-zero's (GFANZ) decision to remove requirements for members to align themselves with the UN's Race to Zero emissions reduction campaign. This news comes shortly after several financial institutions flagged the mounting risk of being sued for failing to adhere to increasingly stringent decarbonization targets. DETAIL

Origin Energy sold 100% of its interests in Australian gas field Beetaloo Basin to natural gas company Tamboran Resources, in an exit from exploration that was welcomed by climate activists. DETAIL

As You Sow updated its racial justice and workplace equity scorecards, showcasing massive improvements in the diversity-related disclosure of S&P 100 constituents. DETAIL

SOC Investment Group wrote to the board of General Electric (GE), urging the company to commit each spin-off company to retain GE's existing ESG goals relating to diversity, human rights, and sustainability. DETAIL

SHORT SELLING

Night Market Research disclosed a short position in International Battery Metals, arguing the Canadian lithium extraction company is promoting unproven technology and is run by an executive with a troubling track record. DETAIL

Shares in Omnicell, which was in 2019 accused of cooking its books by GlassHouse Research, fell sharply in early November after the healthcare information services specialist warned of declining profits. DETAIL

Spruce Point Capital Management revealed a short position in Tootsie Roll Industries, marking the second time the short seller has targeted the candy maker. DETAIL

Xiaodi Hou, the just-deposed Chief Executive and Chairman of TuSimple, claims his dismissal was unjustified. The San Diego-based trucking company terminated Hou amid reports that authorities are investigating whether the company defrauded investors by transferring technology to Hydron, sparking an almost 50% decline in TuSimple's stock price in the days that followed. DETAIL

Canadian investment firm Murchinson, Nano Dimension's biggest shareholder, allegedly made a $4-per-share offer to acquire the rest of the 3D printer company. Nano was targeted by a short seller last year. DETAIL

COP27
SHARM EL-SHEIKH
2022 EGYPT

A GROUP OF 602 INVESTORS ISSUED A CALL TO GOVERNMENTS AROUND THE WORLD TO IMPLEMENT THE POLICY ACTIONS NEEDED TO ADDRESS THE CLIMATE CRISIS AND ACCELERATE THE TRANSITION TO NET-ZERO EMISSIONS AHEAD OF COP27

THE LONG AND SHORT OF IT

Activist short-sellers have profited as ESG darlings fall to earth, now looking for new targets among the over leveraged, writes Jason Booth.

Activist short sellers have enjoyed stronger returns so far this year as sharp declines in stock markets worldwide rewarded investors making short bets on overvalued companies.

As of October 31, there were 79 short campaigns at companies worldwide this year. That is down from 109 at the same time in 2021, largely due to a fall in campaigns in Asia. In the U.S., 55 campaigns have been launched so far this year, versus 68 in the same period a year ago, according to Insightia's *Shorts* module.

Despite the lull in campaigns, returns were notably higher. Campaigns launched in 2022 have generated an average one-week return of 8.5%, well above the 6.3% annual average going back to 2013.

> ***COMPANIES WITH A WHIFF OF ESG GOT SHOWERED WITH MONEY, WHICH ATTRACTED A WHO'S WHO OF THE WORST KIND OF STOCK PROMOTERS.***

NOT ALL THAT GLITTERS IS GREEN

After years of investor money flooding into ESG, short sellers were especially busy this season, targeting companies whose share price inflated due to exaggerated claims that they are addressing environmental or social ills.

"Companies with a whiff of ESG got showered with money, which attracted a who's who of the worst kind of stock promoters," said Nathan Anderson, founder of Hindenburg Research, in an interview with *Insightia Monthly.*

One of Hindenburg's highest-profile campaigns reached a climax last month when Trevor Milton, founder and former chief executive and chairman of Nikola, which makes battery and hydrogen-powered trucks, was convicted of defrauding investors following an investigation sparked by the short seller.

Even when the market begins to recover, there will be plenty of opportunities to take short bets on companies with overleveraged balance sheets that will be put under pressure by rising interest rates, a number of short sellers suggested in talks with *Insightia Monthly.*

One of the only sectors to see an increase in short activism is basic materials, with almost all such campaigns this season taking aim at lithium mining companies which provide the raw material needed to make batteries for electric vehicles. Much like Nikola, many lithium miners saw their share prices surge to unsustainable prices as investors tried to cash in on the green revolution.

Most recently on October 26, Night Market Research disclosed a short position in International Battery Metals, arguing the Canadian lithium extraction company is promoting unproven technology and is run by an executive with a troubling track record.

Lithium companies were not the only ones that jumped on the ESG bandwagon to juice up their share price, according to Ben Axler, founder of Spruce Point Management.

"Any time there are incentives for companies to meet a certain theme or business requirement that receives a higher valuation you are going to find companies that cut corners to get that valuation," Axler told Insightia in an interview.

NO. SHORT CAMPAIGNS AT U.S.-BASED COMPANIES, BY SECTOR AND ANNOUNCE YEAR

SECTOR	2021	2022	YOY% CHANGE
BASIC MATERIALS	6	6	0.0
COMMUNICATION SERVICES	1	1	0.0
CONSUMER CYCLICAL	13	8	↓ 38.5
CONSUMER DEFENSIVE	1	3	↑ 200.0
ENERGY	1	0	↓ 100.0
FINANCIAL SERVICES	4	2	↓ 50.0
FUNDS	0	0	N/A
HEALTHCARE	12	6	↓ 50.0
INDUSTRIALS	8	6	↓ 25.0
REAL ESTATE	0	3	N/A
TECHNOLOGY	21	19	↓ 9.5
UTILITIES	1	1	0.0
TOTAL	68	55	↓ 19.1

SOURCE: INSIGHTIA / SHORTS
**DATA AS OF OCTOBER 31, 2022.*

Case in point is Generac, which Spruce Point shorted in June, arguing that the management was making risky acquisitions in the clean energy space in order to divert attention away from its struggling legacy diesel-powered generator business.

"We believe Generac trades at an undeserved premium to peers and analysts give it premature credit as a proven player in clean energy," Spruce Point wrote in a report. Generac's stock has fallen more than 47% since the report. Spruce Point made a similar argument at Oatly Group, which it accused of hiding data that revealed its oat milk production was as bad for the environment as dairy milk production.

LEVERAGE

With the U.S. Federal Reserve raising interest rates six times already this year, and central banks worldwide following suit, short sellers say they are also looking closely at companies with overleveraged balance sheets.

"It's a great time to look for companies that somehow managed to hide their problems until now because they had access to a lot of cheap money," predicted Gabrial Grego, managing partner of Quintessential Capital Management, in an interview with Insightia.

Spruce Point last month launched a campaign at WD-40, noting that the company best known for its lubricant spray ramped up its borrowing during COVID-19 with no discernable benefit other than artificially supporting its share price.

NO. SHORT CAMPAIGNS, GLOBALLY, BY COMPANY REGION AND ANNOUNCE YEAR

COMPANY REGION	2021	2022	YOY% CHANGE
ASIA	19	5	⬇ 73.7
AUSTRALIA	4	2	⬇ 50.0
CANADA	9	8	⬇ 11.1
EUROPE (EXCLUDING U.K.)	3	6	⬆ 100.0
OTHER	3	1	⬇ 66.7
U.K.	3	2	⬇ 33.3
U.S.	68	55	⬇ 19.1
TOTAL	**109**	**79**	**⬇ 27.5**

SOURCE: INSIGHTIA / SHORTS
**DATA AS OF OCTOBER 31, 2022.*

"They just reported the worst quarter ever where they are literally borrowing to pay their dividend, borrowing to pay their capital expenditures, and borrowing to pay their share purchase," Axler told Insightia. "If I was a shareholder, I'd be very concerned."

SLIMMER PICKINGS

While the market downturn may have unearthed potential targets among ESG promoters and balance sheet deadbeats for some time, it may result in fewer targets overall, at least until the next bubble appears. Higher interest rates and painful stock market losses will make it harder for more speculative companies to raise money from investors.

"It's going to be 10 times harder to raise money for something that isn't rock solid," predicted Grego.

> ***IT'S A GREAT TIME TO LOOK FOR COMPANIES THAT SOMEHOW MANAGED TO HIDE THEIR PROBLEMS UNTIL NOW BECAUSE THEY HAD ACCESS TO A LOT OF CHEAP MONEY.***

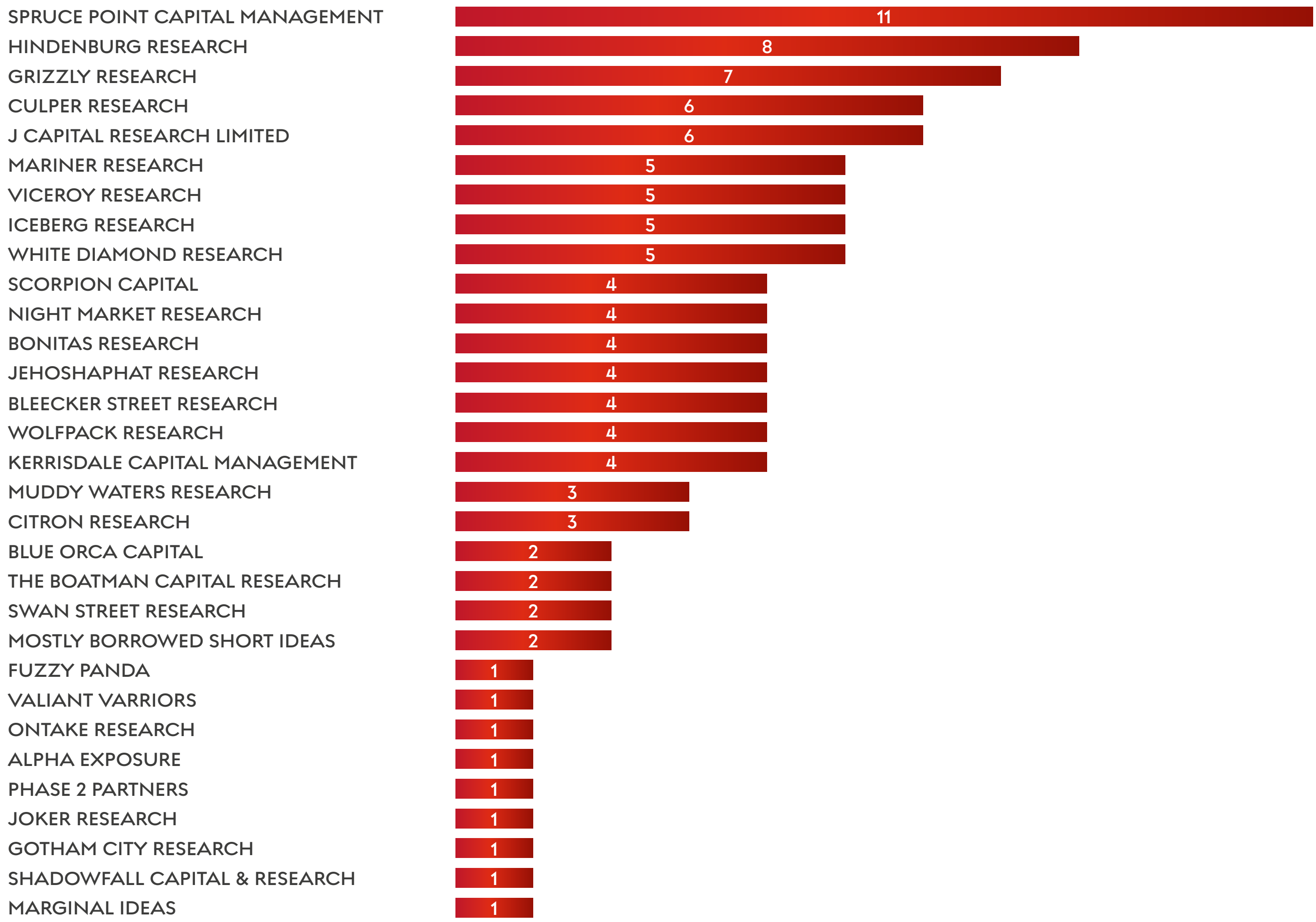
Grego also does not see any hot new business sectors or investment trends on the horizon likely to produce the next "big short" opportunity, the way the excitement over electric vehicles allowed Trevor Milton to deceive investors in Nikola.

"The promoters and fraudsters seek sectors which are at the zeitgeist of the day because in those places it's very easy to find gullible investors, easy money, and media attention," said Grego, citing cannabis, cryptocurrencies, and COVID-19 treatments, along with electric vehicles. "So, to find the next bubble you need to see what the present concerns are, and right now the concerns are war, inflation, and interest rates."

MOST ACTIVE SHORT SELLER BY NO. CAMPAIGNS

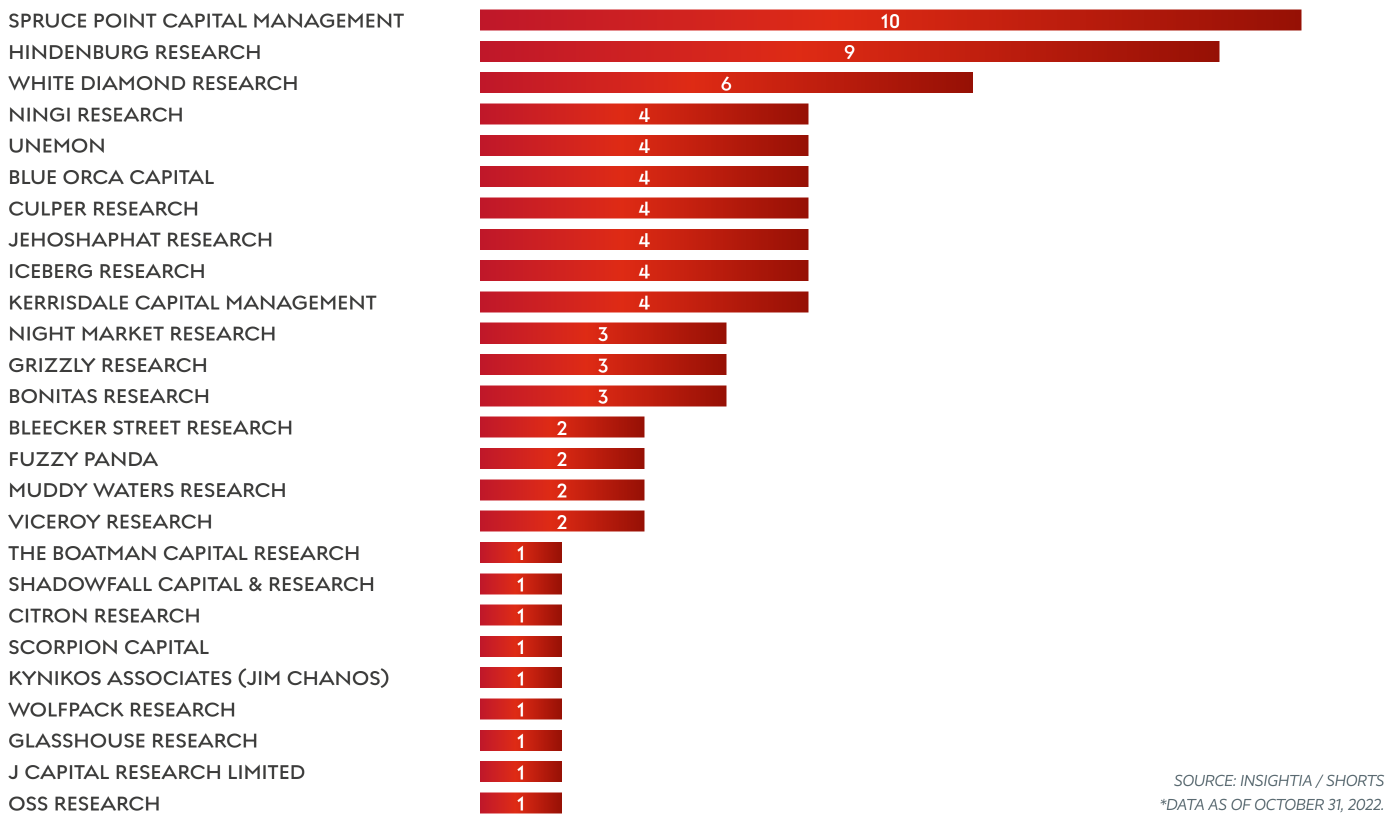
2021

TOTAL: 109



2022

TOTAL: 79



SOURCE: INSIGHTIA / SHORTS

**DATA AS OF OCTOBER 31, 2022.*

IS YOUR COMPANY VULNERABLE ?

Boards must remain vigilant and adhere to the strictest governance standards, should they wish to avoid the ever-looming threat of shareholder activism, writes Robert Cribb and Jason Booth.

It's hunting season for activists with nomination deadlines and proxy season around the corner, and with many stocks down significantly this year, activists are scanning the financial horizon for new investment opportunities.

Understanding the vulnerabilities that issuers face and how they can mitigate these risks is the first step towards avoiding activist engagement. Using a diverse range of factors and evidence-based analysis to assess companies' vulnerabilities to potential activists, Insightia's *Vulnerability* module presents insights into which factors would be statistically significant in predicting future activist investment at a company.

IN GOOD HEALTH

As of October 21, 2022, four sectors were over-represented in the highly vulnerable category, relative to their absolute size in the *Vulnerability* company universe.

The healthcare sector is the most frequently found sector among highly vulnerable at 18.8% representation. The sector has proven especially popular with shareholder activists, amid intense competition and the growing number of mergers and acquisitions.

In September, U.S. drug distributor Cardinal Health agreed to add four new board members and launch a "comprehensive" strategic review in a deal with Elliott Investment Management. This year has also borne campaigns at fellow healthcare firms TherapeuticsMD, Tabula Rasa HealthCare, and Cano Health.

The technology, consumer cyclical, and real estate sectors are also at high risk of activist engagement, representing 16.9%, 15.3%, and 7.6% of the most vulnerable companies in the *Vulnerability* company universe, respectively.

Technology companies received more board representation and pppose M&A-related demands in the first three-quarters of 2022 than in the whole of 2021, according to Insightia's *Activism* module.

The real estate sector has seen a surge in activist activity, with activists focusing their attention on remedying years of stock underperformance and strengthening balance sheets.

> ***A COMPANY WITH 200% RETURNS LAGGING PEER MEDIANS IN A GROWTH SPACE MIGHT BE MORE VULNERABLE THAN A COMPANY WITH 5% RETURNS THAT IS BEATING INDUSTRY EXPECTATIONS.***

Among highly vulnerable companies, relative to the composition of all companies on Insightia's *Vulnerability* module, small-caps, mid-caps, and large-caps are also over-represented. Small-cap companies account for the highest number of highly vulnerable companies, at 367 (35.1%).

KEY FACTORS

A logistic regression analysis for Insightia's *Vulnerability* module found four variables to be particularly significant

NO. COMPANIES PUBLICLY SUBJECTED TO BALANCE SHEET-RELATED DEMANDS, BY COMPANY REGION AND DEMAND YEAR

COMPANY REGION	2018	2019	2020	2021	2022 YTD*
ASIA	51	40	48	41	80
AUSTRALIA	10	5	9	2	5
CANADA	11	4	3	2	4
EUROPE (EXCLUDING U.K.)	56	40	64	39	24
OTHER	2	2	4	2	3
U.K.	13	12	7	9	6
U.S.	48	57	60	51	35
TOTAL	**191**	**160**	**195**	**146**	**157**

SOURCE: INSIGHTIA / ACTIVISM
**DATA AS OF OCTOBER 31, 2022.*

when assessing a company's vulnerability to shareholder activism: peer-ranked return on average equity, peer-ranked total shareholder returns (TSR) over the last 12 months, activist ownership, and institutional ownership.

> *THE HEALTHCARE SECTOR IS THE MOST FREQUENTLY FOUND SECTOR AMONG HIGHLY VULNERABLE COMPANIES, AT 18.8% REPRESENTATION.*

Return on average equity and 12-month TSR are peer-ranked to account for differing expectations, dependent upon a company's industry. A company with 200% returns lagging peer medians in a growth space might be more vulnerable than a company with 5% returns that is beating industry expectations.

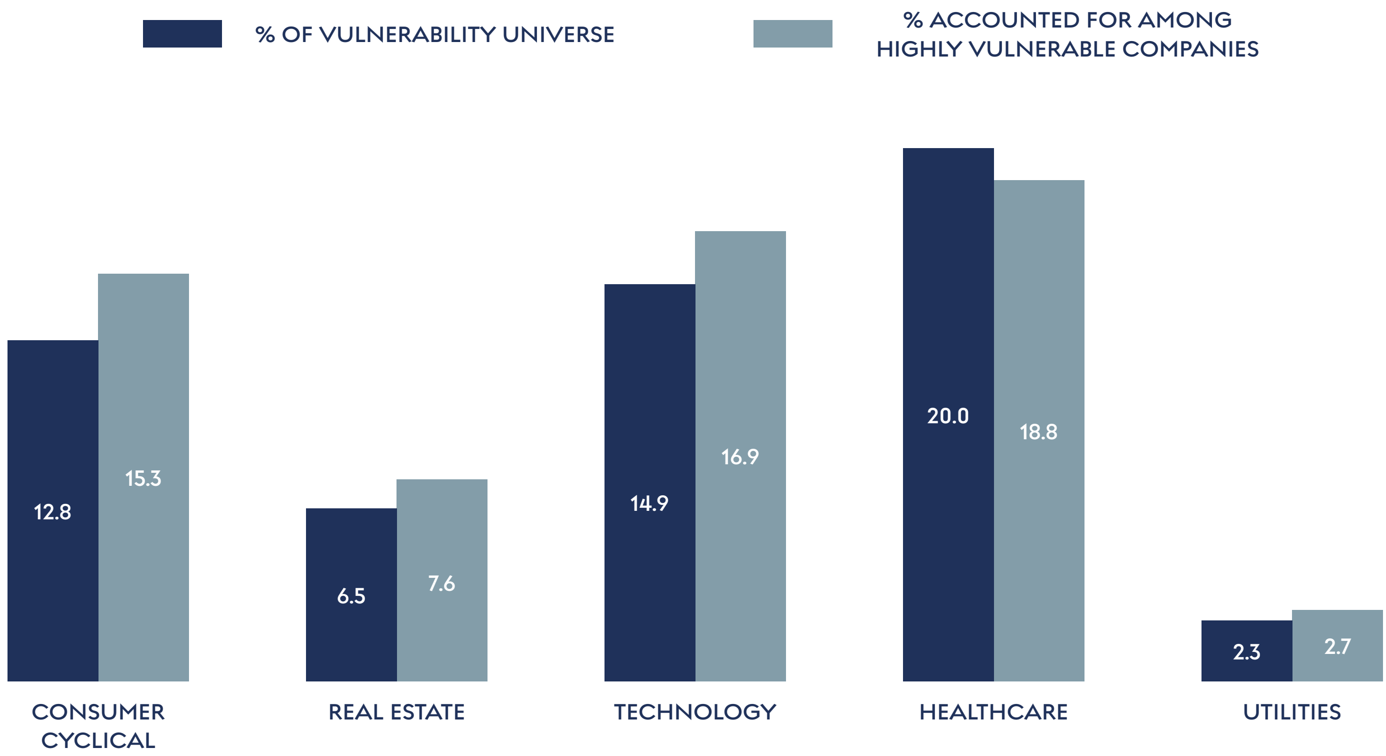
When Insightia wrote on June 18, 2021, that Splunk was vulnerable to activism, its stock had generated a one-year TSR of negative 32%, versus positive 27% by the median peer. Just days later, the company unveiled a $1 billion investment from private equity firm Silver Lake and since then has seen activist interest from Hellman & Friedman and Starboard Value.

FINANCIAL PERFORMANCE

Selling, general, and administrative (SG&A) costs as a percentage of revenues relative to peers can identify potential targets of cost-cutting campaigns. Profit margins can do the same for companies that have over-invested or have extensive costs outside of the SG&A category. In October, Brad Gerstner's Altimeter Capital asked Facebook owner Meta Platforms to "streamline and focus its path forward," warning in an open letter that the company had lost the confidence of investors. Specifically, Gerstner called for the company to cut staff headcount by "at least 20%," reduce capex from $30 billion to $25 billion, and cap metaverse investments at $5 billion a year.

Activists launching cost-cutting campaigns often suggest that excess savings are returned to shareholders to redress the market's negative view of the company's management. Balance sheet campaigns also frequently occur at companies with cash on their books that are under-leveraged relative to peers. However, some industries can be excluded from this argument, such as capital-intensive spaces that require cash on the books.

HIGHLY VULNERABLE COMPANIES' BREAKDOWN BY SECTOR



SOURCE: INSIGHTIA / VULNERABILITY
**DATA AS OF OCTOBER 21, 2022.*

VOTING AND GOVERNANCE

Voting records provide a wealth of insight into a company's susceptibility to activism. Signals from shareholders over board composition and director tenure can indicate the hooks activists would use to lure shareholders into supporting particular campaigns. Significant oppositional votes could give an activist encouragement in plans for a proxy contest.

In December 2020, Insightia *Vulnerability* reported that Tabula Rasa HealthCare was vulnerable to activism in part because Calvin and Orsula Knowlton, the husband-and-wife team that co-founded the company, have seen high opposition against their reelection. Some of the voting rationale against their reelections was related to governance provisions and a lack of accountability. Indeed, Calvin holds both the CEO and chairman roles, and only received 70% approval for his reelection to the staggered board in 2019, while Orsula received just 68% support at the same meeting.

In September, Tabula Rasa HealthCare parted ways with its top two executives and named two new board members, including Indaba Capital Management founder Derek Schrier, in a settlement with the activist hedge fund.

THE HUNT FOR ALLIES

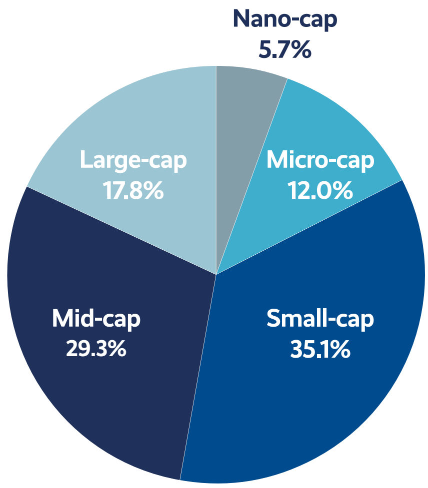
Any activist looking to launch a campaign must also bear in mind whether it has allies likely to support its cause within the broader investor base. Insightia's *Vulnerability* module showcases significant stakes, including any existing primary- or partial-focus activists that could be allies in an activist's campaign. Benchmarks for ownership on both fronts are shown against different comparison groups, including the peer group of a company and the S&P 500.

Insightia's *Voting* module also helps determine which leading investors are most likely to back an activist, providing insights into investor voting trends in proxy contests and for dissident nominees.

In March, Activists Sachem Head Capital Management and Corvex Management both sought for board seats and other governance changes at software infrastructure company Anaplan. Just days later, the company agreed to sell itself to private equity firm Thoma Bravo in a deal worth $10.7 billion, a deal warmly approved by the activists.

HIGHLY VULNERABLE COMPANIES' BREAKDOWN BY MARKET-CAP

% ACCOUNTED FOR AMONG HIGHLY VULNERABLE COMPANIES



SOURCE: INSIGHTIA / VULNERABILITY
**DATA AS OF OCTOBER 21, 2022.*

PLANNING EARLY

Probably the biggest lesson to take is the need to identify risks early. Given vulnerability is relative and not absolute, companies on Insightia's *Vulnerability* module are assigned a percentile ranking to determine a company's relative vulnerability to activist investment. Our reporters select companies whose vulnerability rating is rated as "high" – the top third of companies on the product – and delve into different data points for potential activist campaigns.

Indeed, in October alone there were at least three new campaigns or takeovers at companies that Insightia had earlier reported were vulnerable: Carlson Capital at Glatfelter Corp, Starboard Value at Splunk, and private equity group Clearlake Capital at Blackbaud.

THE ESG JUGGERNAUT

AN INTERVIEW WITH JOSH ZINNER, CEO OF THE INTERFAITH CENTER FOR CORPORATE RESPONSIBILITY (ICCR).

FOUNDED IN 1971, ICCR IS A COALITION OF MORE THAN 300 GLOBAL INSTITUTIONAL INVESTORS REPRESENTING $4 TRILLION IN ASSETS. ITS MEMBERS REGULARLY FILE PROPOSALS PUSHING FOR ENHANCED ESG DISCLOSURE AND TRANSPARENCY AMONG U.S. PUBLIC COMPANIES.

ESG SHAREHOLDER PROPOSAL MAJORITY WINS ALMOST DOUBLED THIS SEASON, ACCORDING TO ICCR'S PROXY SEASON RECAP. WHY WAS 2022 SUCH A SUCCESSFUL YEAR FOR CORPORATE GOVERNANCE?

Josh Zinner (JZ): Of the 37 ICCR-sponsored resolutions that won majority support in 2022, proposals citing diversity, equity, and inclusion (DEI) metrics and, specifically, racial equity audits accounted for the largest percentage, followed by proposals focused on the climate crisis. These are perennial issues that our members have been raising with companies for literally decades. However, there is a growing understanding among investors that companies need to be addressing their impact on systemic risks such as climate change and inequality, as these systemic risks threaten financial markets and investors' portfolios, not to mention the health of the planet and its people.

We are concerned that support from the three biggest asset managers for our members' proposals slipped this year from last, but overall broader investor support for the types of ESG proposals that ICCR members bring has grown significantly over the last few years.

SHAREHOLDER PROPOSALS FACED CRITICISM THIS YEAR FOR BEING OVERLY PRESCRIPTIVE AND POORLY TARGETED. WHAT ARE YOUR THOUGHTS ON THIS?

JZ: If the proposals aren't prescriptive enough, companies and opponents will say that they are overly broad and if the proposals provide the guidance needed for clarity on an issue, opponents will say they are too prescriptive. Sometimes these excuses can be a dodge to avoid substantive discussion of the salient issues.

ARE COMPANIES MORE OPEN TO ENGAGING WITH SHAREHOLDERS NOW THAN THEY HAVE BEEN IN PREVIOUS YEARS?

JZ: We are pleased that our members are able to secure a greater number of withdrawals of proposals in exchange for commitments from companies. In many ways, this is the ideal outcome for a proposal. A big reason companies are more willing to come to the table and move forward with commitments is the growing investor support for ESG proposals. Companies understand that it can be counterproductive to fight proposals or to oppose them and then face a significant vote in favor, as opposed to coming to the table earlier and reaching a sensible agreement.

ESG risks are increasingly being recognized for the systemic threats they represent – not only by investors but also by companies. I believe the current surge in red state legislation and other efforts seeking to curb and discredit ESG investing is a response to this growing recognition. Companies are coming to the table on the ESG issues investors are raising because they know it is in their best interest to do so and this is incredibly threatening to the special interests behind the anti-ESG rhetoric.

ICCR MEMBERS FILED 504 PROPOSALS IN 2022, 42% OF WHICH WERE SUBJECT TO A VOTE WHILE 34% WERE WITHDRAWN FOR AGREEMENT. ICCR MEMBER PROPOSALS YIELDED 37 MAJORITY WINS THIS SEASON, ALMOST DOUBLE THE 20 WON THE PREVIOUS SEASON, ACCORDING TO ITS PROXY SEASON RECAP.

IN JULY, ICCR APPEALED TO THE U.S. CHAMBER OF COMMERCE TO ADVOCATE FOR PUBLIC POLICIES THAT WOULD WORK TO BRING EMISSIONS IN LINE WITH PARIS AGREEMENT GOALS. WHAT DROVE YOU TO TAKE THIS STEP?

JZ: The Chamber has been incredibly unproductive in its lobbying around the climate crisis. For over two decades, public reporting and internal documents made public show that the Chamber has played a central role in both state and national lobbying campaigns to thwart legislative efforts to address greenhouse gas (GHG) emissions. The Chamber has also sought to downplay the massive impact of fossil fuel use on the changing climate.

The Chamber has, more recently, publicly acknowledged the risk to business and the economy that climate change represents. In addition, many of the companies represented by the U.S. Chamber's board have made commendable climate commitments, yet those commitments are being undercut by the U.S. Chamber's anti-climate lobbying activities. To reconcile this conflict, investors are also calling for the Chamber to disclose how its positions on climate policy are determined and to what extent its board and members are consulted on its policy views before the Chamber takes a public position. The Chamber has an enormous megaphone with the business community and it is imperative that they use it to advocate for climate forward policies.

IF YOU COULD INTRODUCE ONE CORPORATE GOVERNANCE REFORM, EITHER IN THE U.S. OR INTERNATIONALLY, WHAT WOULD IT BE?

JZ: That's a hard one because all our work is all about improving corporate governance. But to pick one critical issue, ICCR members view corporate influence over the U.S. legislative and regulatory processes via lobbying and political spending as especially problematic. This issue has long been a critical one for our members' investor engagements and, in 2022, there were nearly 60 shareholder proposals filed by our members either requesting greater transparency around these activities or pressing companies to align their political engagement with the company's stated core values.

You would be surprised how often we see misalignment, which, beyond raising reputational risks for companies, can have deleterious and systemic impacts on society, the environment, and the global economy. For example, in 2020, we launched a campaign to press companies to ensure that their lobbying is in alignment with the goals of the Paris Agreement. Of course, this applies not only to a company's direct lobbying but to the trade associations and policy-focused organizations that they support.

An example of the quandaries posed by corporate political spending emerged after the attack on the U.S. Capitol when several companies were discovered to be funding legislators involved in the attempt to overturn the results of the Presidential election. No company wants to be associated with threats to our democracy. We encourage companies to put safeguards in place to ensure that their political engagement is aligned with their core values, including urging them to adopt the CPA-Zicklin Model Code of Conduct for Political Spending which provides a framework for aligning election spending with corporate values.

WHAT KEY ISSUES WILL ICCR MEMBERS BE FOCUSING ON IN THE COMING PROXY SEASON?

JZ: Without a doubt, our work to move companies to align their business with the 1.5°C Paris Agreement goals in order to stem the ever-increasing threats presented by the climate crisis will remain a priority. But our members are very focused on ensuring these goals are met within a "Just Transition" framework that links their support for necessary climate action with commitments to labor standards, human rights, and inclusive growth — with a focus on the workers and communities who contribute to and are affected by the transition.

The treatment of workers, both here in the U.S. and throughout global supply chains, has always been central to ICCR member engagements but events like the global pandemic, rising inflation, and racial, gender, and income inequality have thrown workers' rights into high relief. Our Advancing Worker Rights program aims to engage strategic sectors in the U.S. on the urgent need to elevate workers as key stakeholders and secure their rights to a living wage, the right to organize, paid sick leave, and worker health and safety, among others. And our program on Equitable Supply Chains will have a more global focus with engagements centering on high-risk sectors like apparel and footwear which source in low-income countries with a weak rule of law and where forced labor is rife and workplace health and safety standards are lacking.

Our members' work to promote access to affordable medicines and broader health equity will remain an ongoing priority, as will our work, highlighted above, to press companies on responsible political engagement. Lastly, ICCR members will continue to press companies to commission racial equity audits to better understand their impacts on civil rights, DEI, and the impacts of those issues on their businesses.

THANK YOU, JOSH.

NEW ACTIVIST INVESTMENTS

THE LATEST ACTIVIST INVESTMENTS FROM AROUND THE WORLD.

					PUBLIC DEMAND							
ACTIVIST (S)	COMPANY	HQ	CAMPAIGN START DATE	CURRENT HOLDING	APPOINT PERSONNEL	OPERATIONAL	GOVERNANCE	REMOVE PERSONNEL	RETURN CASH TO SHAREHOLDERS	OPPOSE PRIVATIZATION	PUSH FOR M&A	DETAIL
APEIRON INVESTMENT GROUP	SENSEI BIOTHERAPEUTICS	🇺🇸	NOV 03, 2022	11.20%	–	–	–	–	●	–	–	DETAIL
REGAL FUNDS MANAGEMENT	LIVETILES	🇦🇺	NOV 03, 2022	6.78%	●	–	–	●	–	–	–	DETAIL
GLACIAL LAKES ENERGY	GRANITE FALLS ENERGY	🇺🇸	NOV 01, 2022	16.35%	–	–	–	–	–	●	–	DETAIL
SCIENCE GROUP	TP GROUP	🇺🇸	NOV 01, 2022	28.57%	–	–	–	–	–	–	●	DETAIL
MICHIO FUKUDA	OKWAVE	🇯🇵	OCT 29, 2022	1.69%	●	–	–	●	●	–	–	DETAIL
SABA CAPITAL MANAGEMENT	CLEARBRIDGE MLP & MIDSTREAM FUND	🇺🇸	OCT 27, 2022	24.45%	●	–	–	–	–	–	–	DETAIL
BLACKWELLS CAPITAL	GLOBAL NET LEASE	🇺🇸	OCT 26, 2022	N/A	●	–	●	–	–	–	–	DETAIL
BLACKWELLS CAPITAL	THE NECESSITY RETAIL REIT	🇺🇸	OCT 26, 2022	N/A	●	–	–	–	–	–	–	DETAIL
CONCERNED SHAREHOLDERS OF FORTRESS REIT	FORTRESS REIT	🇿🇦	OCT 25, 2022	N/A	–	–	●	–	–	–	–	DETAIL
ALTIMETER CAPITAL MANAGEMENT	META PLATFORMS	🇺🇸	OCT 25, 2022	N/A	–	●	–	–	–	–	–	DETAIL

SOURCE: INSIGHTIA / ACTIVISM

NEW SHORT INVESTMENTS

THE LATEST DISCLOSED ACTIVIST SHORT INVESTMENTS.

				ALLEGATIONS									
SHORT SELLER	COMPANY	HQ	CAMPAIGN START DATE	COMPETITIVE PRESSURES	MISLEADING ACCOUNTING	INDUSTRY ISSUES	OTHER OVEREVALUATION	DIVIDEND CUT COMING	PRODUCT INEFFECTIVE	MEDICAL EFFECTIVENESS	BUBBLE	PRODUCT INEFFECTIVE	DETAIL
SPRUCE POINT CAPITAL MANAGEMENT	TOOTSIE ROLL INDUSTRIES		NOV 02, 2022	–	–	–	●	–	●	–	●	–	DETAIL
NIGHT MARKET RESEARCH	INTERNATIONAL BATTERY METALS		OCT 27, 2022	–	–	–	–	–	●	–	●	●	DETAIL
HINDENBURG RESEARCH	ESTABLISHMENT LABS HOLDINGS		OCT 20, 2022	–	–	●	–	–	●	●	–	–	DETAIL
SPRUCE POINT CAPITAL MANAGEMENT	WD-40 CO.		OCT 19, 2022	●	–	●	●	●	●	–	–	–	DETAIL
BLUE ORCA CAPITAL	ENVIVA		OCT 13, 2022	–	●	–	–	●	–	–	–	–	DETAIL
SPRUCE POINT CAPITAL MANAGEMENT	MGP INGREDIENTS		OCT 13, 2022	●	–	–	●	–	–	–	–	–	DETAIL

SOURCE: INSIGHTIA / SHORTS

PASS THE KETCHUP

Stagnant earnings, coupled with mounting expenses and woeful shareholder returns, single out Kraft Heinz as a golden opportunity for activists, writes Jason Booth.

KRAFT HEINZ	
SECTOR	CONSUMER DEFENSIVE
MARKET CAP	$46.5 BN (LARGE-CAP)
EXCHANGE	NASDAQ
TICKER	KHC
HQ	IL, U.S.
CORPORATE GOVERNANCE SCORE*	16/20 (GOOD)

VULNERABILITIES	PERFORMANCE	PROFITABILITY	GROWTH	REMUNERATION SUPPORT	DIRECTOR AGE

Originally published on Insightia One on October 11, 2022.

Kraft Heinz is three years into a turnaround plan that was supposed to make the company more competitive. Yet earnings and sales remain flat, expenses are higher than peers, and Kraft's stock has underperformed. While largest shareholder Warren Buffett may be patient enough to wait for improvements, other investors may not be.

Kraft Heinz currently ranks in the 90th percentile on the Insightia *Vulnerability* module of companies likely to face activism over the coming nine months.

ACTIVIST THESIS

With Buffett holding 26.6%, an activist would need a strong argument for change, focused on operational improvements rather than overthrowing a management team that appears to have the veteran investor's backing.

Activists could call for a strategic review to identify assets to sell or even buy. Calls for improvements to operational efficiency are also in order given the company's profit margins are significantly higher than the peer median.

On the governance side, they could also demand a separation of the chairman and chief executive positions.

CORPORATE STRUCTURE

Pittsburgh-based Kraft Heinz was established in 2013 after 3G Capital worked with Warren Buffett's Berkshire Hathaway to acquire H.J. Heinz in a $23.3-billion deal and merge it with Kraft Foods Group two years later. The company went public in 2015 at $67 per share, well above the stock's closing price of $34.07 on October 10.

Kraft Heinz owns around 60 brands in the U.S. alone, including Oscar Mayer hot dogs, Jell-O, and Philadelphia Cream Cheese. It has around 36,000 employees worldwide along with 79 manufacturing and processing facilities.

In 2019, shareholders showed that changes can be forced despite Berkshire Hathaway and 3G holding near controlling stakes at the time. Krupa Global Investments demanded the company convene a special meeting to discuss turnaround strategies including a potential sale of the company to Berkshire Hathaway. Shortly after, Kraft Heinz replaced its CEO, Bernardo Hees, with Miguel Patricio.

It also put on hold the planned sale of major brands like Maxwell House, Ore-Ida frozen potato, Breakstone's, and Plasmon, reportedly until Patricio had time to settle into his job. All four brands remain on the company's roster.

PEERS AND INDUSTRY

Kraft Heinz is part of the food and beverage sector, with its close peers being Kellogg Co., Conagra Brands, and General Mills.

Consumer goods companies have accounted for 22.6% of all activist demands year-to-date, more than any other sector. Trian Fund Management targeted Unilever earlier this year,

**SOURCE: INSIGHTIA / GOVERNANCE*
A higher score indicates a more shareholder-friendly corporate governance structure.

Domini Impact Investments made demands at Kroger, and Sachem Head Capital Management went after US Foods Holding Corp.

Starting in 2018, Campbell Soup Company was targeted by Third Point despite insiders holding over 40% of the stock, showing that dedicated activists are willing to target large companies with significant insider holdings if they feel there is value to be gained.

FINANCIALS

Revenue growth has been stagnant over the last three years and earnings have fallen. Management attributed the weakness to agricultural product shortages and transportation costs, challenges that competitors appear to have weathered more successfully.

While Kraft Heinz revenue was essentially flat over the past three years, its peer group's median revenue growth sits at 5.4%, while S&P 500 companies have seen median revenue growth of 7.4%. Earnings pose a greater issue, with Kraft Heinz reporting earnings per share (EPS) of $0.83 in 2021, down from $1.58 in 2020. Peers reported 3% median EPS growth over the same period.

> ***WHILE LARGEST SHAREHOLDER WARREN BUFFETT MAY BE PATIENT ENOUGH TO WAIT FOR IMPROVEMENTS, OTHER INVESTORS MAY NOT BE.***

An activist would likely sight a disappointing return on average equity of 3.1%, versus 17% for peers and a net profit margin of 6% versus 9.9% for peers, both of which reflect poorly on management.

PERFORMANCE AND VALUATION

Stock market underperformance versus closest peers is especially stark. While Kraft Heinz's stock is down 7.7% over the last 12 months, General Mills is up 24%, and Kellogg up 12%.

Performance is equally worrying over the long term, with a total shareholder return (TSR) of negative 45% over five years, while peers have generated a median return of 55%.

WHILE KRAFT HEINZ REVENUE WAS ESSENTIALLY FLAT OVER THE PAST THREE YEARS, ITS PEER GROUP'S MEDIAN REVENUE GROWTH SITS AT 5.4%

There are signs of undervaluation, however, as the company's price-to-sales ratio of 1.6 versus 2.6 for peers and a price-to-EBITDA ratio of 9.8 versus 14.6 for peers shows.

John Baumgartner at Mizuho Securities, who recently initiated coverage, estimated that the stock was trading at 10.7 times the estimated 2023 EBITDA, giving it a 20% discount versus its food industry peers. It also offers an attractive dividend yield of 4.8%.

CORPORATE GOVERNANCE

Shareholder support for directors is relatively strong, with all directors getting support of 94% or higher at the most recent annual meeting.

Yet there are governance weaknesses that could attract activist attention. Miguel Patricio serves as both CEO and chairman. And an advisory vote on executive compensation saw almost 30% opposition at the company's May 5 annual meeting.

Artemis Investment, which voted against the reelection of Patricio, stated, "a vote against is warranted as the nominee serves as the company's CEO and chair and there is evidence of a poor approach on executive pay."

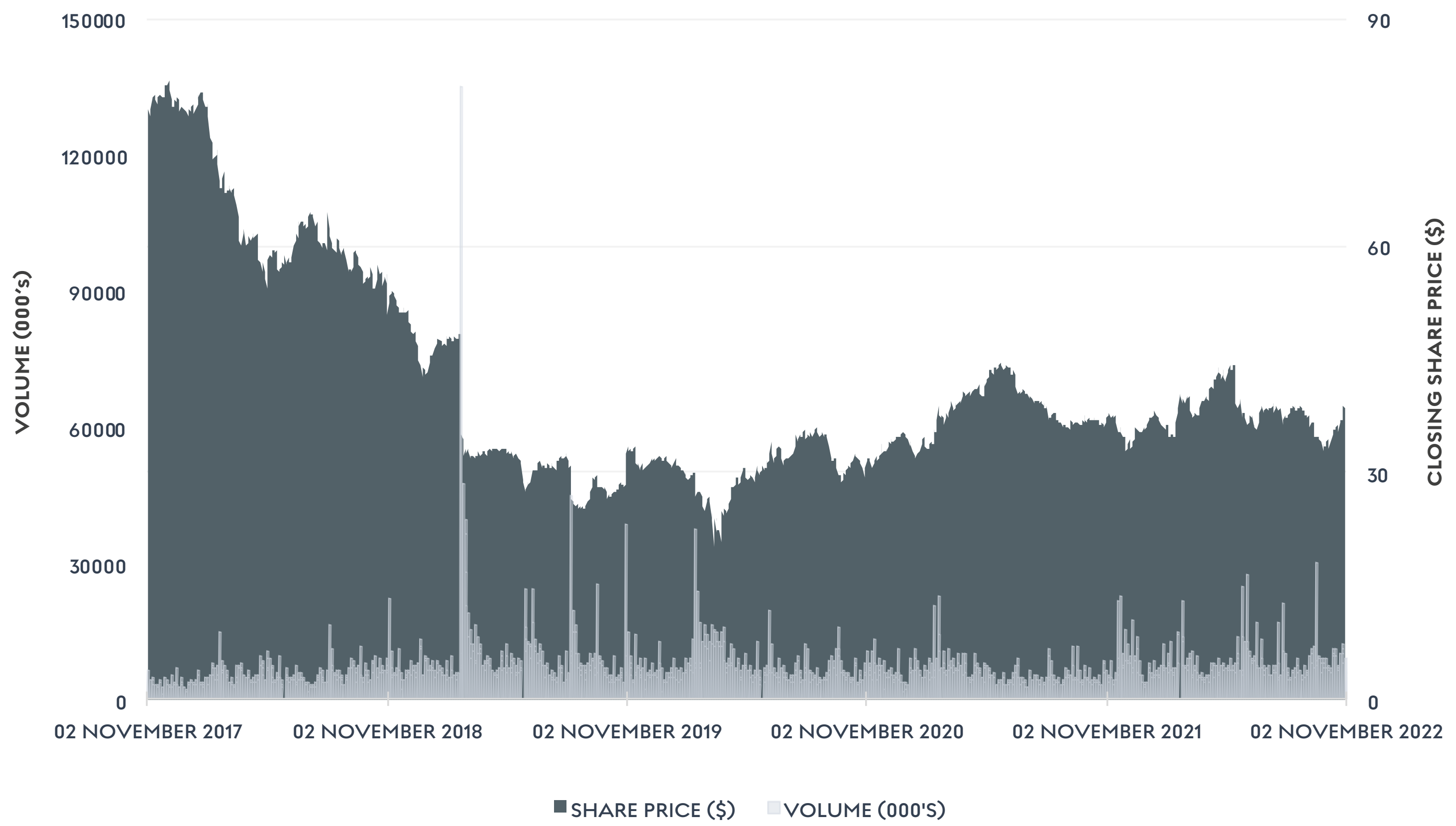
SHAREHOLDER REGISTER

Kraft Heinz's shareholder roster has seen significant changes over the past year that could offer greater chances of success to an activist. While Berkshire Hathaway has held its stake steady at just over 26%, 3G Capital has steadily reduced its holdings and now controls a 7.9% stake, according to a May 25 securities filing by the company. Institutional investors with large stakes include Vanguard Group, Capital Group, and BlackRock, with 4.8%, 4.2%, and 4% stakes, respectively. Partial focused activist Armistice Capital, Marshall Wace, and D.E. Shaw Investment Management hold minor stakes.

The deadline for nominating directors for the 2023 annual meeting is January 5. ia

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.

KRAFT HEINZ FIVE-YEAR SHARE PRICE PERFORMANCE



Share price data sources: CSI - www.csidata.com and Xignite

PERSONNEL MOVES

THE LATEST HIRES AND APPOINTMENTS IN THE GOVERNANCE INDUSTRY.

GLOBAL

Justin Wu, Milo Sjardin, and Susannah Fitzherbert-Brockholes – HSBC
HSBC announced a series of senior appointments in an effort to build the bank's new Sustainability Center of Excellence. Justin Wu took on a new role as co-head of climate change in the Asia-Pacific region, while Milo Sjardin was appointed managing director and head of climate analytics and Susannah Fitzherbert-Brockholes joined as director of sustainable finance.

U.S.

Manisha Ali – BNY Mellon
Head of responsible investing
BNY Mellon Investor Solutions announced the appointment of Manisha Ali as head of responsible investing. In the new role, Ali will be responsible for helping to build the company's responsible investing franchise and to identify best-in-class asset solutions. Ali gained extensive experience with ESG from her previous roles as a portfolio specialist at Neuberger Berman and an associate director at Russell Investments, where she worked on investment strategy for institutional non-profit investors.

Marie Freier – Barclays
Global co-head of sustainable and impact investment banking
Marie Freier, former global head of cross-asset ESG research at Barclays, moved to a new role as global co-head of sustainable and impact investment banking within the U.K. bank. She first joined Barclays in 2021, leading the bank's ESG research efforts and building a global team of dedicated ESG subject matter experts. She previously worked at Sanford Bernstein as co-head of European sales and global head of ESG.

Erin Meezan – JLL
Chief sustainability officer
Real estate investment manager JLL appointed Erin Meezan as chief sustainability officer. Meezan previously served as chief sustainability officer at modular flooring company Interface where she led the company's efforts to achieve carbon neutrality across product lines. Meezan will succeed Richard Batten, who is set to retire after 12 years at JLL.

Joseph Sumberg – Galvanize Climate Solutions
Managing partner and head of real estate division
Joseph Sumberg started a new position as managing partner and head of the real estate division at climate-focused investment firm Galvanize Climate Solutions. In his new role, Sumberg will launch Galvanize's sustainable real estate investment platform. He joined the company after more than 15 years at Goldman Sachs, most recently as a managing director, where he served as a real estate investor and lender.

EUROPE

Will Jackson-Moore – PwC
Global ESG leader
PricewaterhouseCoopers (PwC) appointed Will Jackson-Moore as its new global ESG leader. Jackson-Moore has been with PwC for more than 30 years and has served since 2016 as the company's global private equity, real assets, and sovereign funds leader.

John McCalla-Leacy – KPMG International
Global head of ESG
John McCalla-Leacy was appointed the global head of ESG at professional services firm KPMG International, where he will ensure delivery of the company's $1.5-billion ESG commitment and accelerate global client solutions for ESG opportunities and challenges. McCalla-Leacy joined KPMG in 2018 and has served as head of ESG at the U.K. division since 2021.

Nisha Long – Credit Suisse
Head of sustainability research
In January 2023, Nisha Long will join Credit Suisse as head of sustainability research. In this role, Long will support the bank's new ESG integration strategy and processes.

REST OF THE WORLD

Jane Karen Ho – BNP Paribas Asset Management
Head of stewardship, Asia-Pacific
BNP Paribas Asset Management announced the appointment of Jane Karen Ho as head of stewardship, Asia-Pacific, within the fund manager's Global Sustainability Centre in Singapore. Most recently, Ho worked as director of investor practice at the Asia Investor Group on Climate Change (AIGCC).

Gillian Tan – The Monetary Authority of Singapore (MAS)
Chief sustainability officer
MAS appointed Gillian Tan as its new chief sustainability officer, responsible for leading a sustainability group focused on enabling more coherent strategy development and tighter coordination across the organization's sustainability initiatives. Tan currently chairs the Association of Southeast Asian Nations' (ASEAN) taxonomy board working group and serves on the advisory board of the Singapore Green Finance Centre. Tan will take on the role from the current chief sustainability officer Darian McBain, who will leave MAS in December.

DIRECTOR UPDATES

THE LATEST DIRECTOR MOVES ON PUBLIC BOARDS.

Richard Wallace and David Tunnell – Splunk
Hellman & Friedman Partner David Tunnell was appointed to the Splunk board in a move designed to give the buyout shop influence over Splunk's corporate activities. In September, the two firms signed a standstill agreement, six months after Hellman & Friedman made a $1.4 billion investment in the software firm. KLA Corp. President and CEO Richard Wallace was also appointed to Splunk's board in a move designed to best position the company to capture its growing market.

Peter Bartholow – Republic First
Texas Capital Bank Finance Chief Peter Bartholow joined the board of Republic First Bancorp as part of a cooperation agreement with year-long proxy rival Driver Management. Alongside the appointment of Bartholow, Republic First is to undergo a full review of its strategic direction. The banks' interim CEO Harry Madonna lauded the appointment, citing Bartholow as a welcome addition that brings an extensive knowledge of capital markets and mergers and acquisitions.

Sue Gove – Bed Bath & Beyond
Bed Bath & Beyond's interim CEO Sue Gove has been tapped to transition into the position permanently. Gove was named interim CEO in June after the company removed Mark Tritton from the position. Gove, who is the founder of retail consultancy firm Excelsior Advisors, already oversaw major changes at the company, including extensive cost-cutting measures in August when Bed Bath & Beyond cut the jobs of around 20% of its corporate and supply chain workforce.

Michael Liebowitz – Nocopi Technologies
Veteran insurance consultant and top Nocopi Technologies shareholder Michael Liebowitz was appointed to the company's board. Liebowitz joins Matthew Winger, the director of investments at Liebowitz's family office M2A, on the board as part of the settlement deal between the two companies that helped defend Nocopi against activist Tim Eriksen back in March.

Georges Elhedery – HSBC
HSBC named Georges Elhedery as its new chief financial officer as the global banking group continues to face pressure from its largest shareholder, Ping An, to spin off its Asia business. It's understood the move puts the former head of its investment bank in the lead position to eventually succeed Noel Quinn as chief executive.

Adam Berger and Geraldine Murphy – Amarin
Amarin announced the appointment of former Wells Fargo executive Adam Berger and pharmaceutical business consultant Geraldine Murphy to its board on October 21. The company also said that Lars Ekman and Patrick O'Sullivan, directors of Amarin since 2008 and 2011, respectively, will retire from the board at the end of the year. Activist fund Sarissa recently criticized Amarin for failing to strengthen its board with shareholder representatives amid a plunge in market value.

BANKING ON CLIMATE ACTION

INVESTORS ARE ADOPTING A NUMBER OF MECHANISMS TO PUSH THE FINANCIAL SECTOR TO MAKE GOOD ON ITS NET-ZERO COMMITMENTS, WRITES REBECCA SHERRATT.

The energy sector has historically borne the brunt of investor pressure to decarbonize, but shareholders are now turning their attention to the financial sector to cease fossil fuel financing at its source.

Among U.S.- and Canada-headquartered financial institutions, shareholder proposals concerning climate change are becoming increasingly common, with nine filed in as many months this year. That is the same number as in 2020 and 2021 combined, according to Insightia *Voting* data.

In Europe, financial institutions are also being held to account on their net-zero commitments through the "say on climate" initiative, which provides shareholders with an annual advisory vote on a company's decarbonization plan. As October 31, 2022, seven European financial firms have held "say on climate" votes, averaging 90.1% support, compared to three plans receiving 99% average support one year prior.

> ***THERE IS A LOT MORE SCRUTINY BEING PLACED ON COMPANIES MAKING THESE COMMITMENTS BUT NOT PROVIDING CLARITY ON HOW THEY ARE GOING TO ACHIEVE THESE GOALS.***

NAMING AND SHAMING

The shift in investor focus from energy companies to financial institutions was brought about by repeated claims from ESG advocates that the sector is failing to make good on its climate commitments.

"We've seen a lot of commitments from companies around achieving or working toward net-zero and now investors are asking how will these issuers achieve this," Emmanuelle Palikuca, managing director, head of sustainability advisory at Alliance Advisors, told Insightia in an interview. "There is a lot more scrutiny being placed on companies making these commitments but not providing clarity on how they are going to achieve these goals."

In March, a report co-authored by seven environmental advocacy organizations, including Sierra Club Foundation and BankTrack, revealed that fossil fuel financing from the world's 60 largest banks has reached $4.6 trillion in the six years since the adoption of the Paris Agreement, with $742 billion in fossil fuel financing in 2021 alone.

Investor coalitions dedicated to bringing emissions down are also facing claims that they amount to little more than greenwashing. A scathing report by the Two Degree Investing Institute (2DII) in July revealed that "the majority – if not all" the 317 financial institutions forming part of the Partnership for Carbon Accounting Financials (PCAF) are failing to align with baseline reporting requirements related to emissions and investments.

DIVIDE AND CONQUER

In Europe, environmental advocacy organization ShareAction led the charge against financial institutions this season. Barclays' "say on climate" plan faced 19.2% opposition at the U.K. bank's April 5 annual meeting, following criticism from ShareAction that its thermal coal phase-out targets were riddled with "loopholes."

"We have seen a significant increase in the number of shareholders willing to vote against insufficient climate plans put forward by banks," Jeanne Martin, head of banking at ShareAction, told Insightia in an interview. "Financial institutions are perhaps surprised at how quickly shareholders have become interested in this topic – leapfrogging the disclosure element and jumping straight into calling on banks to take concrete action."

Fellow U.K. bank HSBC was evidently eager to avoid similar backlash, updating its fossil fuel divestment targets and committing to a coal phase-out shortly after a $2.4-trillion investor coalition led by ShareAction claimed its net-zero plan "makes a mockery of any claims to take the climate crisis seriously."

In October, the Advertising Standards Authority (ASA) banned HSBC's U.K. billboard adverts for allegedly making misleading statements about the bank's climate credentials.

In the U.S. and Canada, As You Sow's proposal asking Travelers Co. to report on how it intends to "measure, disclose, and reduce" emissions associated with its underwriting won 55.8% support at the company's May 25 annual meeting, while Mouvement d'éducation et de défense des actionnaire's (MEDAC) proposal asking the National Bank of Canada (NBC) to hold an annual advisory vote on its climate plan won 46.5% support.

TIME IS RUNNING SHORT

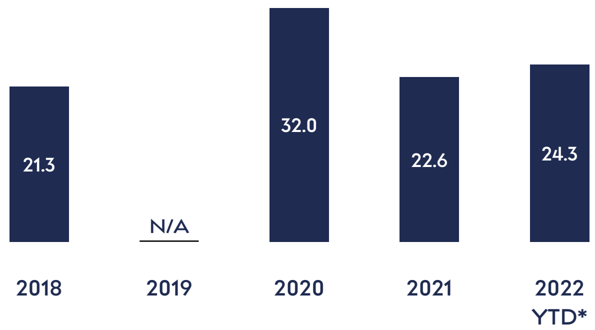
With time running out to align global energy goals with the Paris Agreement, investors expect financial institutions to take increasingly more ambitious steps to reduce fossil fuel financing and will not hesitate to take voting action where companies are failing to align with minimum expectations.

Oppositional votes are no longer directed solely at net-zero plans and shareholder proposals, with directors facing pushback for a lack of ESG engagement. Globally, 1.6% of director re/election proposals have received under 70% support this year as of October 31, compared to 1.3% and 1.4%, respectively, throughout 2020 and 2021.

"The number of banks publishing emissions reductions targets has increased but the scope and ambition of these targets really varies from one bank to another," Martin said. "Investors need to apply more scrutiny toward what these targets really mean, and the goals financial institutions are setting." ia

SUPPORT FOR (%) "SEEK CLIMATE CHANGE REPORT" PROPOSALS IN THE U.S. FINANCIAL SECTOR

NO. PROPOSALS				
2018	2019	2020	2021	2022 YTD*
3	0	2	2	6



SOURCE: INSIGHTIA / VOTING
**DATA AS OF OCTOBER 31, 2022.*

TOP EUROPEAN MANAGEMENT "SAY ON CLIMATE" REVOLTS IN THE FINANCIAL SECTOR

2022 YTD*					
COMPANY	MEETING DATE	COUNTRY	RESOLUTION	FOR (%)	AGAINST (%)
M&G	MAY 25, 2022		APPROVE CLIMATE TRANSITION PLAN AND CLIMATE-RELATED FINANCIAL DISCLOSURE.	79.5	20.4
BARCLAYS	MAY 4, 2022		APPROVE CLIMATE STRATEGY, TARGETS, AND PROGRESS.	80.8	19.1
UBS GROUP	APRIL 6, 2022		APPROVE CLIMATE ACTION PLAN.	83.9	16.1

2021					
COMPANY	MEETING DATE	COUNTRY	RESOLUTION	FOR (%)	AGAINST (%)
NINETY ONE	AUGUST 4, 2021		APPROVAL OF APPROACH TOWARDS CLIMATE CHANGE.	97.4	2.6
HSBC HOLDINGS	MAY 28, 2021		APPROVE CLIMATE CHANGE RESOLUTION.	99.7	0.2
AVIVA	MAY 6, 2021		APPROVE CLIMATE-RELATED FINANCIAL DISCLOSURE.	99.9	0.1

SOURCE: INSIGHTIA / VOTING
**DATA AS OF OCTOBER 31, 2022.*

EXECUTIVE TITLES

THERE IS MUCH TO CONSIDER WHEN DEBATING WHETHER TO SEPARATE THE ROLES OF CEO AND CHAIR, WRITES JESSICA DONOHUE, CONTENT SPECIALIST AT DILIGENT.

From a historical perspective, the CEO and the chair of the board have served in the same position. With some of the evolutionary changes in corporate governance and best practices that have resulted from regulatory and legal changes, there has been a lot of discussion about whether companies should appoint a board chair that is not also the CEO of the company.

When considering the CEO vs the chair, it's important to remember that the CEO and the board chairperson perform different duties. In deciding whether to separate these positions, it's essential for directors to understand the responsibilities of each position clearly. There also needs to be a balance of power between the CEO and the board chairperson.

DEFINING ROLES

In simple terms, the CEO is the top senior executive over management, while the board chairperson is the head of the board of directors.

A chairperson's primary responsibility is to their stakeholders, working to ensure that the company meets stakeholder expectations. In doing so, they also manage directors and their activities, providing transparency and accountability along the way.

> ***TO THRIVE, ORGANIZATIONS NEED TO KEEP UP WITH STAKEHOLDER CAPITALISM, WHICH REQUIRES A LEVEL OF FOCUS THAT ONE PERSON CAN'T TACKLE ON THEIR OWN.***

The CEO is the organization's chief executive, overseeing day-to-day activities and making important decisions by collaborating with senior leadership. The CEO's position entails focusing on the strategic plan, which includes strategizing about the competition and which markets to enter.

STRIKING THE RIGHT BALANCE OF POWER

Companies have the liberty to find a balance of responsibility and authority between the CEO and the board chairperson. For this reason, the balance of power between the CEO and the executive chairman varies substantially, even within similar industries.

Since the board chairperson is superior to the CEO, the CEO has to get the board chairperson to approve any significant moves. While the board chair has the ultimate power over the CEO, the two typically discuss all issues and effectively co-lead the organization. Some companies find that their operations fare better when the CEO has considerable flexibility in running the operation.

The CEO is sometimes allowed to choose the senior executives. It's common for a company's bylaws to guarantee retiring executives a board seat. In this way, the CEO effectively influences board composition. Some companies continue to adhere to tradition and assign the CEO as the board chairperson.

SPLITTING THE TWO ROLES

Some companies are choosing to allow the CEO to also serve as board chairperson. This is more common in large companies. For high-growth companies, financial experts agree that the executive chairman and the CEO shouldn't be the same person.

The board's primary responsibilities are strategic planning, oversight, and abiding by the principles of good corporate governance. In recent years, companies in Europe and the U.S. have seen the benefit when boards spend more time providing value to the CEO and the senior executives — which isn't as effective when the chairperson and CEO is the same person.

For companies to be successful, they need a CEO who is dedicated to the responsibilities on a full-time basis. Managing a board of directors is also a full-time job. Both positions are of such importance that when one person serves in both roles, it's difficult, if not impossible, to serve both positions well.

There's no clear answer about whether one person should fill both positions and there are no regulations that require one structure over the others. As it has become more common for boards to choose independent board directors to serve in the role of board chairperson, the general thought has been that independent board directors are the people best suited to serve as board chair.

The main benefit of separating the two roles is that it distinctly separates the roles of the board and management. The separation also allows each person to devote the proper time to their position. Since the board of directors evaluates the CEO and senior executives and sets their pay, separating the CEO and the chair roles eliminates potential conflicts of interest.

Separating the CEO from the executive chairman allows each person to give their full time and attention to their role, rather than to split their priorities. But that's not the only benefit. Having an independent board director as the chair gives one person the ability and authority to speak on behalf of the board, while an independent director can also better represent individual director perspectives to the CEO.

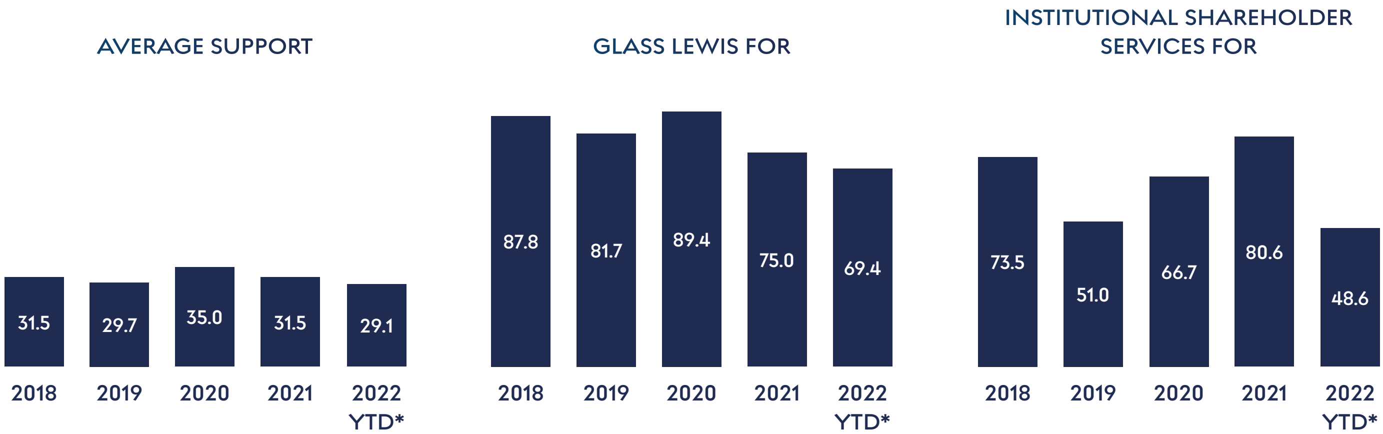
WORKING TOGETHER

Separating the CEO and the chair can ensure a healthy balance of power. But perhaps the most significant benefit of clarifying the roles of CEO vs. chair is actually how they can support each other. To thrive, organizations need to keep up with stakeholder capitalism, which requires a level of focus that one person can't tackle on their own.

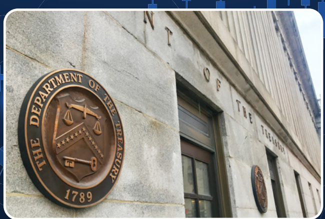
By dividing responsibilities, the CEO and chairperson can work together to build a more robust modern governance infrastructure, one that meets and even exceeds stakeholder expectations.

SUPPORT FOR (%) SHAREHOLDER PROPOSALS SEEKING AN INDEPENDENT BOARD CHAIR AT U.S.-HEADQUARTERED COMPANIES

NO. PROPOSALS				
2018	2019	2020	2021	2022 YTD*
49	60	48	39	42



SOURCE: INSIGHTIA / VOTING
**DATA AS OF OCTOBER 31, 2022.*



UPCOMING EVENTS

A SELECTION OF UPCOMING MEETINGS AND SHAREHOLDER PROPOSALS.

Meetings

ISSUER	TYPE	HQ	DATE	
TNG	SPECIAL		NOV 28, 2022	DETAIL
STRIDE INC.	ANNUAL		DEC 09, 2022	DETAIL
OSI SYSTEMS	ANNUAL		DEC 13, 2022	DETAIL
AUTOZONE	ANNUAL		DEC 14, 2022	DETAIL
ARGO GROUP INTERNATIONAL	ANNUAL		DEC 15, 2022	DETAIL

Shareholder proposals

ISSUER	INVESTOR	HQ	MEETING DATE	
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.

ISSUER	INVESTOR	HQ	MEETING DATE	
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.

ISSUER	INVESTOR	HQ	MEETING DATE	
CAMPBELL SOUP	THE HUMANE SOCIETY OF THE UNITED STATES		NOV 30, 2022	DETAIL

Supply chain reporting.

Publish an analysis of the company’s supply chain practices.

ISSUER	INVESTOR	HQ	MEETING DATE	
CISCO SYSTEMS	GREATER MANCHESTER PENSION FUND		DEC 08, 2022	DETAIL

Report on tax transparency.

Issue a tax transparency report aligned with the Global Reporting Initiative's (GRI) Tax Standard.

ISSUER	INVESTOR	HQ	MEETING DATE	
MICROSOFT	BOSTON COMMON ASSET MANAGEMENT		DEC 13, 2022	DETAIL

Report on defense consumer use of technology.

Commission a third-party report assessing whether government use of Microsoft technology contributes to human rights violations.

SOURCE: INSIGHTIA / VOTING