Online-Appendix

Understanding the Effect of
Hedge Fund Activism on the Target Firm –
A Qualitative Study on Shareholder Value

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Appendix A

Appendix A. Semi-structured interview guide

Theme	Interview Question	A. Relevance
Introduction		
Interviewee Background	• What position do you currently hold at [company x]? • How long have you been employed at [company x]? • What is your professional background?	This is largely "demographic" information, no need to relate to literature
Advisory / Engagement Characteristics	• Why do you follow the developments of activism? What makes the topic so exciting now? • What was the most memorable and noticeable event in activism in the last twelve month?	Research on fund characteristics (available if necessary)
General Part (irrespective of shareholder value)		
Activist Formation		
Definition	• How do hedge funds separate themselves from other shareholders? • What shapes and styles of activists are out there? Differentiation short vs long-term activist? • What is the importance of reputation/credibility track record for the activist?	
Causes	• What analysis is done by an activist, and which purpose do they have? • Which issues in the target does the activist commonly find • What do performance measures look like? e.g. sales growth, andere margins • What does the capital structure of a target look like? • Which main measures do activists usually suggest? • How do the measures differentiate in realization horizon?	Brav et al. (2008) Gantchev (2013) Zur & Klein (2019) McCahery (2015)
Process	• How does an activist enforce demands? (in detail) • Differences: Private vs. Public engagement • Can you explain and elaborate on Behind the scenes engagement	
Specific Part Shareholder impact		
Shareholder Theory: Shareholder theory has the prime objective to maximize shareholder value with share price and dividends as the main metrics		
Definition	• What metrics drive shareholder value? – kennzahlen wie hängen die zusammen	
Long term vs. short term value	What are typical strategies for activist to unlock value in short term – long term? What could be the effect different activism measures on shareholder value? 1) Around the announcement of activism	Brav et al. (2010)

	2) Short term 3) Long term Alternative Explanation 1) Halo Effect – stock picking - vs. value creation? 2) Spillover effects ?	Maffet (2022) ; Gantchev (2018)
Specific Case of activism		
Case Introduction	• Can you describe the target in which the activist engaged? (Size, Marekt cap, shareholder structure) • How long did the engagement last?	
Activist & Target: Targeting, Engagement and Consequences		
Targeting	What was the reason for the activist to target the company	
Engagement	How did the activist engage? (as specific as possible) a) Which channels did they use? b) How did the activist build pressure? • What changes happened in the end?	
Consequences to the target	What impact did you observe on the target?	
Consequences to shareholder value	How did the engagement influence the shareholder value? Did it turn out to be positive?	
Conclusion		
• Is there anything we did not talk about, or you want to mention? • Can you provide us with some documents that you have created or taken over from your predecessor that are related activism? • Can you share any contacts to an activist fund?		

Appendix B

Appendix B1 Activist Letters to the BoD

Elliott Advisors Limited ("Elliott") to Alexion ("Target Firm")

ELLIOTT ADVISORS (UK) LIMITED
PARK HOUSE, 116 PARK STREET, LONDON W1K 6AF
TEL: +44 (0)20 3009 1818

May 12, 2020

Mr. David R. Brennan
Chairman of the Board
Alexion Pharmaceuticals, Inc.
121 Seaport Blvd
Boston, MA 02210

Dear Mr. Brennan,

On behalf of funds advised by Elliott ("Elliott" or "we"), which remain a significant and long-term investor in Alexion Pharmaceuticals, Inc. ("Alexion" or the "Company"), we are writing to share with you our latest perspectives on the Company's future.

Since the beginning of our engagement with the Company in 2017, we have been and remain firm believers in the unique strengths of Alexion's long-term prospects and its essential role in the healthcare system. This conviction stems from our thorough diligence and analysis of the Company's markets, positioning, products, culture and dedication to its patient population. Over the past three years, we have observed with growing frustration a divergence between the favorable operational improvements that have taken place at the Company and the increasingly negative market sentiment weighing down its valuation and share price performance.

A detailed review of the underlying reasons for the persistent underperformance of the Company's share price is what led us to conclude last year that **the best approach for the Company and its stakeholders is the immediate exploration of a sale, which, as explained below, would create significant upside for shareholders while creating a more stable footing for all those with a vested interest in Alexion's future – including its patients.**

Despite your disagreement with that conclusion last December, we took note of your apparent good-faith focus on finding an optimal path forward, encouraged by our shared conviction in the Company's strong potential and shared frustration with its deep undervaluation. We respectfully acknowledged your December announcement, which sought additional time for Alexion to prove its prospects as a stand-alone company while remaining open to the potential for incoming strategic interest.

Nearly half a year later, with heightened urgency amidst a public health crisis and considerable economic turmoil, the market continues to render a decisive verdict for Alexion's "go-it-alone, trust-us" approach. The announcement of your acquisition of Portola – and the harsh negative market reaction that followed – offers the latest evidence in support of our view that the Board is taking Alexion in the wrong direction, and that the Company's current strategy is unlikely to restore the market's perceptions of Alexion's attractiveness and uniqueness. We believe that this Board is in urgent need of fresh perspectives and a new direction.

To date, we have kept our dialogue with you private for the most part in an effort to be as constructive as possible. **However, the Portola announcement's profoundly negative impact on shareholder value – erasing approximately $1.7 billion from the Company's market capitalization in a single day[1] – has led us to conclude that a broader public discussion about the best path forward for Alexion is necessary.**

We are therefore making today's letter public to share our thoughts and analysis more broadly, both to inform the market and to draw the Board's attention to the intense and growing dissatisfaction of shareholders with the Company's current course.

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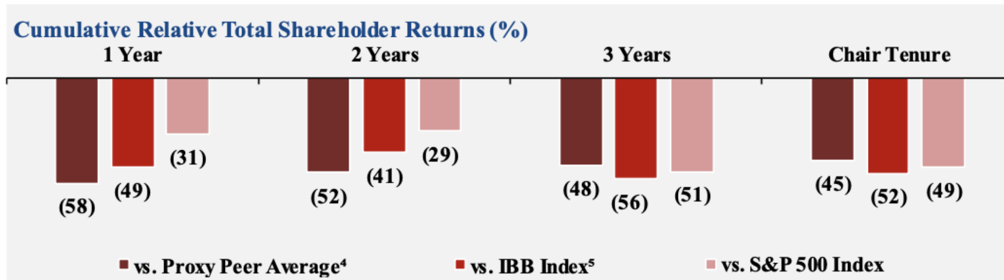
[1] Daily change in market capitalization, adjusted for iShares NASDAQ Biotechnology Index move

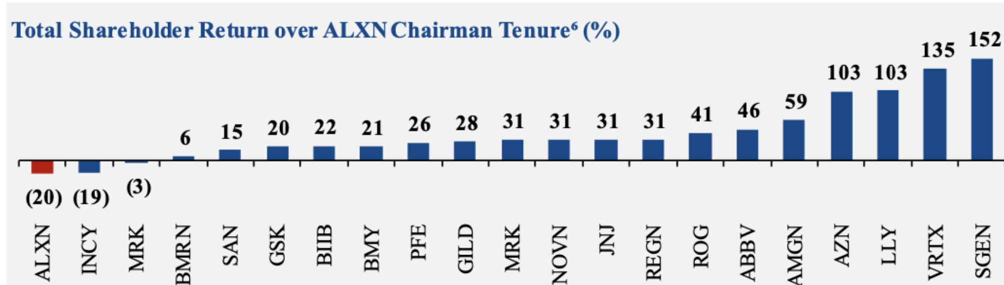
Alexion Has Been a Persistent Underperformer

Despite Alexion's attractive franchise and favorable operating performance, the Company's share price has persistently struggled over the last few years. As detailed in the below charts, Alexion's valuation multiple has steadily eroded, with an over 75% reduction in its EV/EBITDA multiple since 2015[2].

This has contributed to a significant underperformance in total shareholder return relative to any relevant stock market index over the last one-year, two-year, and three-year periods, as well as over the course of your tenure as Chairman.



Indeed, during your tenure, Alexion is the worst performer across the broader large-cap biopharma sector:



[2] Based on Bloomberg EV / FY1 EBITDA as of 8-May-2020
[3] Bloomberg EV / FY1 EBITDA from 31-Dec-2015 to 8-May-2020
[4] Alexion total shareholder return to 8-May-2020 vs. peers listed by Alexion in its 2020 proxy statement, comprising Abbvie, Alkermes, Allergan, Amgen, Biogen, Biomarin, Celgene, Gilead, Incyte, Jazz, Regeneron, Seattle Genetics, United Therapeutics, Vertex
[5] Alexion total shareholder return to 8-May-2020 vs. iShares NASDAQ Biotechnology Index
[6] Alexion total shareholder return from 10-May-2017 to 8-May-2020. Peers include US and EU large-cap biopharma players

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Negative market sentiment continues to weigh heavily on Alexion's share price. Significant skepticism has persisted with respect to the resilience and longevity of its complement franchise. We believe this skepticism is unwarranted, which only underscores the depths of Alexion's trust deficit and communication problems with investors. This dynamic has kept many investors away as the existential debate around the Company has obscured its achievements to date and its unique strengths and positioning for the future. Examples of widely held market perspectives on these topics include the following:

- *"One of the challenges we've had with ALXN shares has been the existential nature of the investment debate, and that the bull / bear discussion – even as management execution has been strong – seems largely focused on the stock's terminal value"* – Stifel, August 30, 2019
- *"We expect ALXN to remain in its current trading range until there is greater visibility in the strategy beyond C5"* – MS, May 6, 2020

Unfortunately, as we have highlighted to you throughout our engagement, this overhang cannot be addressed through incremental improvements to the business, with analysts repeatedly highlighting the inability of the market to look beyond the longevity debate and reward the substantial operational improvements that the Company has made over the last few years:

- *"The shares are not expensive. However, we remain neutral given yet-to-be materialized success in pipeline diversification beyond the C5 franchise (~86% of revenue) & potential entry of competitors for the C5 franchise"* – Jefferies, May 6, 2020
- *"Still, we think the lowered guidance will overshadow the 1Q results and along with persistent doubts about the longer-term future of the C5 franchise prior to competitor launches we would remain on the sidelines for now"* – BAML, May 6, 2020
- *"We expect execution to remain strong, though the stock suffers from a so-so near term catalyst path, as well as a theoretical (hard-to-refute) bear case"* – Stifel, May 6, 2020

More recently, as highlighted in the table below, several unfortunate missteps have reinforced this negative sentiment, and the market consequences of these events have been exacerbated by poor communication.

Event	Date	Perf %[7]
1 IPR instituted and EU patents not issued	30-Aug-19	(9.5)%
2 Paul Clancy departure	18-Sep-19	(3.8)%
3 Achillion transaction announced	16-Oct-19	(4.9)%
4 Elamipretide phase 3 fails within 3 months of agreement	20-Dec-19	(2.1)%
5 Announcement of 2020 guidance	30-Jan-20	(4.8)%
6 Portola transaction announced	5-May-20	(7.3)%

In all the examples above, Alexion's attempts to reassure an already skittish investor base failed. The Company's deficient communication more often than not left doubts unaddressed and questions unanswered. Paul Clancy's departure is a case in point. Paul had earned his reputation as an experienced and perceptive CFO who reliably guided market expectations and consistently managed to surprise to the upside. His sudden

[7] Event date share price performance vs. iShares NASDAQ Biotechnology Index

departure, announced in a press release that provided no background or rationale for the move, led to troubling investor speculation, with one broker commenting, "It's impossible to know if there's anything else beyond the surface here."[8] Similarly, the new CFO's 2020 EPS growth guidance announced in January 2020, at just 2% at the midpoint of the guidance range, marked a surprising and poorly explained reversal to the Company's stated ambition of "double digit revenue and EPS growth" at its Investor Day just ten months earlier.[9]

Two of the most instructive missteps listed above include the recent acquisitions of Achillion and Portola, which highlight the degree to which the Company is at odds with market expectations. Conceptually, there is an M&A framework for Alexion that makes sense – prudently invest in assets that bring optionality and enhance the existing franchise:

- *"Our acquisition strategy has really been focused on rebuilding our pipeline over the last 2 years [...] our plan is still to keep rebuilding that pipeline, continue the path that we are on from a diversification standpoint, and most importantly, sort of stay disciplined on matching the risk that we take with a particular BD or partnership or license or acquisition with the value that we pay for it"* – Aradhana Sarin, CFO, March 3, 2020

Indeed, this stated goal has drawn praise from analysts:

- *"We like ALXN's BD focus on largely under-the-radar/under-appreciated assets"* – RBC Europe Limited, June 11, 2018
- *"ALXN Investor Day Marked By Incremental But Smart BD ... with respect to Alexion's [BD] strategy going forward: (1) the company continues to emphasize a transition toward "orphan" [not "ultra" orphan] assets and (2) management noted that they'll be aggressive, but also disciplined when leveraging external innovation to build the pipeline"* – Stifel, March 20, 2019

Yet the announcements of Alexion's acquisitions of Achillion and Portola both destroyed significant shareholder value:

Acquisition	Transaction EV	Relative Perf%[10]	Market Value Destroyed[11]	Value Destruction as % EV
Achillion	**$0.7bn**	**(4.9)%**	**$(1.2)bn**	**166%**
Portola	**$1.2bn**	**(7.3)%**	**$(1.7)bn**	**137%**

It is possible to argue that Achillion provides a coherent strategic fit given the complementarity of Achillion's key assets with Alexion's portfolio, with Danicopan enabling Alexion to better treat the subset of PNH patients with EVH. Yet Alexion failed to appreciate the appearance of defensiveness in the timing and communication around this transaction, creating the impression that the Company was on the back foot and worried about PNH competitors, as highlighted by a number of analyst comments at the time:

- *"In our view, the transaction has strong strategic rationale as a defensive play for ALXN vs. competitors (esp. APLS)"* – Evercore ISI, October 16, 2019[12]
- *"The deal ... implies either Alexion knows the "Apellis thesis" is accurate or PNH is not the main value driver"* – Raymond James, October 16, 2019

[8] Stifel, 17-Sept-2019
[9] Page 10, Alexion Investor Day Presentation, 20-Mar-2019
[10] Announcement date share price performance vs. iShares NASDAQ Biotechnology Index
[11] Announcement date change in market capitalization, adjusted for iShares NASDAQ Biotechnology Index move
[12] Underlining in quote added for emphasis

Elliott Advisors Limited ("Elliott") to GSK ("Target Firm")

ELLIOTT ADVISORS (UK) LIMITED
PARK HOUSE, 116 PARK STREET, LONDON W1K 6AF

1 July 2021

Sir Jonathan Symonds, CBE
GlaxoSmithKline
980 Great West Road
Brentford TW8 9GS

Dear Sir Jonathan and Members of the Board of Directors,

As you know, Elliott has built a significant position in GlaxoSmithKline ("GSK" or "the Company"). We made our investment after months of diligence and analysis, which resulted in our strong conviction that GSK could and should be a better business for patients, doctors, employees and shareholders.

To date, we have refrained from sharing our thoughts on GSK publicly, to allow the Company to focus on its much-anticipated 23 June Investor Update. Today, we are writing because we believe the time has come for a broader discussion regarding GSK's potential and how best to achieve it. Given the importance of what is at stake — setting GSK on a positive trajectory through a transparent and timely process — we are sharing this letter publicly so that our fellow shareholders and all parties with an interest or potential interest in GSK's future can participate in the dialogue.

Our letter today makes several important points:

- **GSK has a substantial value creation opportunity**: We believe there is significantly more value to be realised at GSK with superior execution. Our analysis suggests that GSK has an opportunity to generate up to 45% upside in its share price in the lead-up to its full separation, and much more in the years beyond.

- **GSK has struggled with execution**: GSK has underperformed for years, operationally and financially. Despite possessing strong businesses in attractive markets, GSK has failed to capture business opportunities due to years of under-management.

- **Board and management assessment required**: While GSK's Board and management have sensibly created two separate businesses, Biopharma ("New GSK") and Consumer Health ("CH"), each of these businesses faces separate opportunities and challenges. The Board must ensure that each new company has the leadership that can achieve best-in-class outcomes for shareholders. We believe the Board must take additional timely steps to ensure execution and results.

Third Point LLC ("Third Point") to Nestlè ("Target Firm")

Third Point LLC
390 Park Avenue
New York, NY 10022
Tel 212 715 3880

June 25, 2017

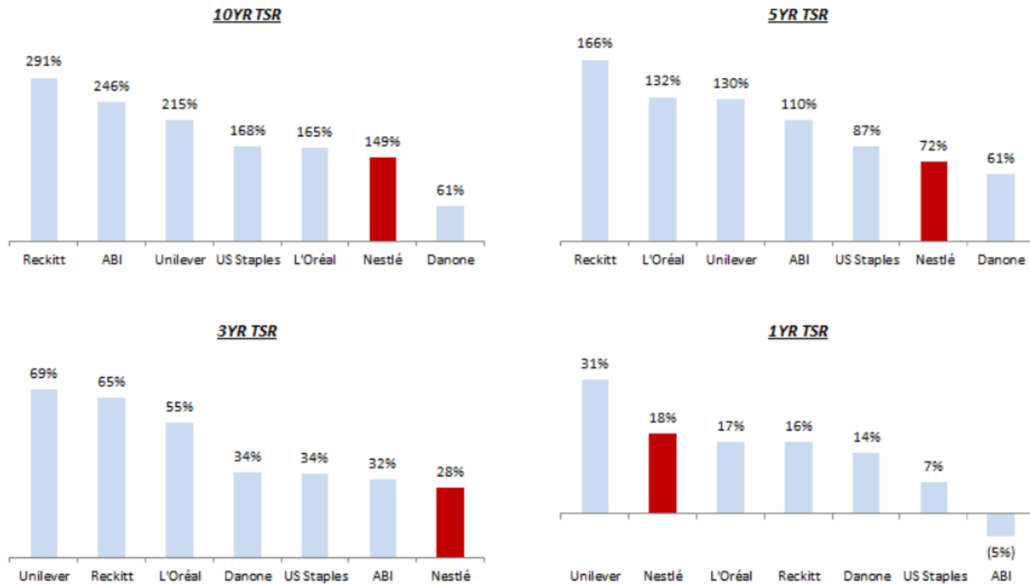
Dear Investor:

Third Point currently owns roughly 40 million shares of Nestlé. We hold this stake in our funds and in a special purpose vehicle raised for this opportunity. Our investment, including options, currently amounts to over $3.5 billion.

Nestlé, with an over $250 billion market capitalization, is the largest food business in the world and home to some of the world's greatest brands. Its portfolio, including 34 brands that generate more than CHF 1 billion in sales annually, had roughly CHF 90 billion in total sales last year. The company operates across a number of advantaged categories including coffee, infant formula, pet food, and bottled water. Nestlé also has a strong footprint in emerging markets. The category and geographic mix of the portfolio is excellent and offers the company a long runway for growth as emerging market customers increase consumption and developed market consumers trade up.

However, despite having arguably the best positioned portfolio in the consumer packaged goods industry, Nestlé shares have significantly underperformed most of their US and European consumer staples peers on a three year, five year, and ten year total shareholder return basis. One year returns have been driven largely by the market's anticipation that with a newly appointed CEO, Nestlé will improve.

Exhibit A: One, Three, Five and Ten Year Consumer Industry TSR's



Nestlé has fallen behind over the past decade in an environment where growth has slowed due to changes in consumer tastes and shopping habits, as well as an influx of new competition from smaller, local brands. While its peers have adapted to this lower growth world, Nestlé has remained stuck in its old ways, making it impossible to deliver on the once reliable "Nestlé model" that called for 5-6% organic sales growth annually and continuous margin improvement. As a result, earnings per share have not grown in five years. This has had a knock-on effect on dividend growth, which has slowed to low single digits in recent years, and Nestlé's payout ratio now stands at the upper end of the peer group range at 66%. Without addressing the company's stalled earnings, further dividend increases will be unsustainable at historical rates. While Nestlé has stood still, its peers have pursued productivity increases aggressively and made other changes in order to deliver earnings growth and create shareholder value in a slower sales growth world.

Third Point invested in Nestlé because we recognized a familiar set of conditions that make it ripe for improvement and change: a conglomerate with unrealized potential for margin

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improvement and innovation in its core businesses, an unoptimized balance sheet, a number of non-core assets, and a recent history of meaningful under-performance versus peers. It is rare to find a business of Nestlé's quality with so many avenues for improvement.

Like other investors, we are also confident that Nestlé is prepared for change because of the company's wise decision last year to hire a new Chief Executive with a high caliber pedigree from outside its ranks for the first time in nearly a century. Nestlé's new leader, Dr. Ulf Mark Schneider, had an impressive track record of value creation as the CEO of Fresenius, a German medical supply company, from 2003 until he joined Nestlé. He delivered strong organic sales growth and executed well on transformational M&A, and shares appreciated at a roughly 20% CAGR during his tenure. As he settles into his role at Nestlé, we think he has the ability to execute on the kinds of new initiatives the company must pursue. However, we feel strongly that in order to succeed, Dr. Schneider will need to articulate a decisive and bold action plan that addresses the staid culture and tendency towards incrementalism that has typified the company's prior leadership and resulted in its long-term underperformance.

Our observations and insights about the company have been bolstered by Jan Bennink, one of the world's recognized leaders in the packaged goods space, who we have retained to advise us on this investment. Among other roles, Jan was a successful CEO of Royal Numico, which was the largest baby food company in Europe when he became its chief executive. At Numico, Jan divested non-core assets and cut costs in order to reinvest in the core business. His actions helped dramatically reaccelerate organic sales growth and expand margins before the company was sold to Danone for a huge premium. He then became the Executive Chairman of Sara Lee, where he oversaw its separation into two "pure play" companies: a North American branded meat company called Hillshire Brands, and a global tea & coffee company called DE Master Blenders 1753. He then led Master Blenders until it was sold to the Joh. A. Benckiser group.

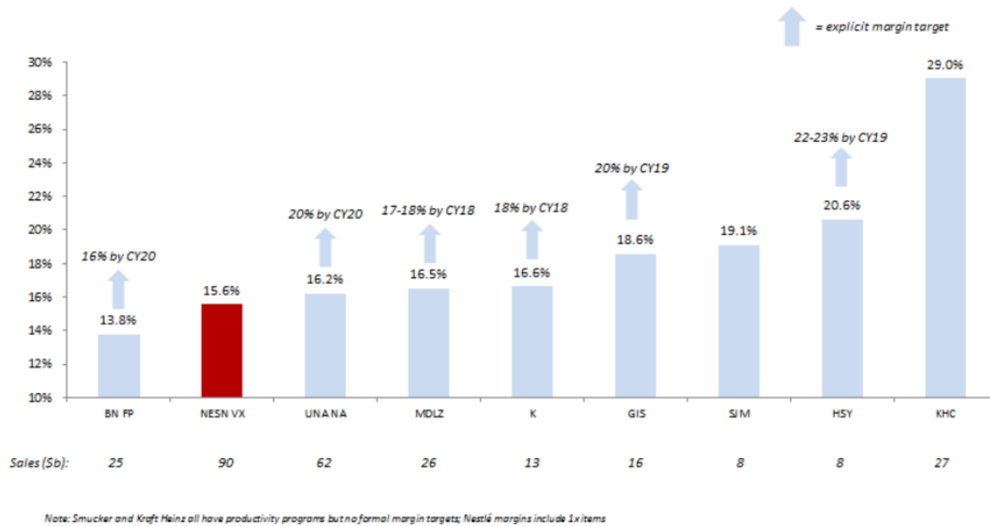
Jan has direct operating experience in four of Nestlé's key categories: coffee, baby food, medical nutrition, and dairy, as well as an unimpeachable record of substantial shareholder value creation. He brings deep expertise in packaged goods, which greatly enhanced our due diligence process and gives greater credibility to our investment thesis. Mr. Bennink has also invested a significant personal sum in the Third Point - Nestlé SPV.

Third Point intends to play a constructive role to encourage management to pursue change with a greater sense of urgency. We have offered our views in productive conversations with management, which we expect will continue. We believe Nestlé is positioned to create enormous value for shareholders over the next several years if the company focuses on: 1) Improving Productivity; 2) Returning Capital to Shareholders; 3) Re-shaping the Portfolio; and, 4) Monetizing its L'Oréal Stake. We discuss each of these in more detail below.

Improving Productivity

We believe Nestlé should adopt a formal margin target. While management has recently talked publicly about accelerating organic sales growth and delivering a better balance between growth and margin improvement, investors are skeptical. The company has highlighted over CHF 7.5 billion of cost savings since 2012 but these savings have not fueled faster organic sales or earnings growth, leaving shareholders to wonder what benefit Nestlé has gotten from them. Nestlé's CY16 EBIT margin 15.3% (16% ex-items) is at the low end of its peers, nearly all of which are now targeting high-teens to low 20's margins.

Exhibit B: 2017 Consensus Operating Margin Estimates



Our work suggests Nestlé should be able to improve margins by as much as 400 basis points over the next several years. We are not alone in our view, as well-respected analysts at investment banks including Goldman Sachs and Bank of America have identified a similar opportunity. As a result, we believe it would be appropriate for the company to set a formal margin target range of 18-20% by 2020. We are highly confident that this is achievable since Nestlé has already scoped out significant cost savings for the next few years via its ongoing "Continuous Excellence" productivity initiatives and a separate CHF 1.8 billion plan announced in 2016. Adopting a formal target range would remove uncertainty around reinvestment and give management the flexibility needed to meet their goals.

Capital Return

We believe capital return in conjunction with a formal leverage target makes sense as well. Nestlé's remarkably low leverage of less than 1.0x net debt to EBITDA serves no real business purpose for a non-cyclical business with such strong cash flow and contrasts unfavorably with most peers, which fall within a leverage range of 2.0x to 4.0x. We believe

Nestlé should set a target of at least 2.0x, which would better optimize the company's cost of capital. Getting to 2.0x and staying there would also produce enormous capacity for share buybacks over time. Share repurchase is a particularly attractive option at the moment since the company has the potential to grow earnings considerably over the next few years as sales growth reaccelerates and margins expand. Finally, buybacks offer an attractive alternative to M&A given the high multiples in Nestlé's sector, offering similar EPS uplift with none of the integration risk.

Re-Shaping the Portfolio

It is past time for Nestlé to undergo a comprehensive portfolio review. The company operates today with over 2,000 brands in Food & Beverage and Health Science. Management must determine which of these businesses are key pillars of growth for the future and then strategically reduce exposure to those that are not. We were encouraged by management's recent disclosure that they are considering a sale of the US confectionary business. Given large synergies to potential acquirers, we believe these kinds of businesses could fetch above-market multiples. Separating them could also help accelerate organic growth and free up internal resources (both time and money) to increase focus on priority areas. We also think it makes sense for Nestlé to consider accretive, bolt-on acquisitions in high growth and advantaged categories.

Monetizing the L'Oréal Stake

It is also time for Nestlé to sell its stake in L'Oréal. The company acquired 29% of L'Oréal, the global leader in beauty products, in 1974 and sold 6% in 2014. This has been a superb investment, and the remaining 23% stake is equivalent to more than $25 billion, or roughly 10%, of Nestlé's market capitalization today. However, having L'Oréal in the portfolio is not strategic and shareholders should be free to choose whether they want to invest in Nestlé or some combination of Nestlé and L'Oréal. Current conditions make this the right time to exit the remainder and we believe the stake can be monetized with limited tax or other consequences. We also believe that the L'Oréal stake could be divested via an exchange offer for Nestlé shares that would accelerate efforts to optimize its capital return

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policies, immediately enhance the company's return on equity, and meaningfully increase its share value in the long run as earnings improve over a reduced share count.

Conclusion

As demonstrated by our significant capital commitment, we are enthusiastic about Nestlé's prospects. The situation reminds us of similar conditions that existed when we first invested in Baxter in 2015. Some market observers scratched their heads, as they thought the company looked "expensive" and thus underestimated the uplift that is possible when a new leader dedicates himself to better capital allocation, portfolio optimization, and margin improvement with strong shareholder support.

We believe our recommendations to Nestlé management, if taken together, would dramatically improve both the growth profile and earnings power of the company. Portfolio re-shaping and productivity investments should help to re-accelerate organic sales growth from 2-4% this year to something in the mid-single digit range over the next few years. A formal margin and leverage target (with debt capacity used to repurchase shares) should help drive EPS from CHF 3.40 last year to CHF 5.00-6.00 by 2020. At that point, a more focused, faster growing Nestlé, with earnings per share more than 50% higher than today, would command a premium not just to the market but also to the broader staples group, generating attractive returns for shareholders. Importantly, improved earnings power will also bring the dividend payout ratio back in line, allowing Nestlé to reward shareholders with continued dividend increases and make the necessary investments in its business for the future.

We recognize that even with new leadership and clear options for value creation, change at a company like Nestlé can be complex. It is for this reason that Third Point intends to be an engaged, long-term shareholder and offer our assistance to the management team and Board as they pursue improved performance for all stakeholders. We are confident that by following the path we have outlined, Nestlé will be able to revive its iconic slogan, with a twist: *Nestlé makes the very best* returns for its shareholders.

Investor Relations is available to answer further questions about this new investment at 212.715.6707 or ir@thirdpoint.com. Thank you for your partnership.

Sincerely,

Third Point LLC

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Trian Fund Management, L.P. ("Trian") to Disney ("Target firm")

TRIAN NOMINATES NELSON PELTZ FOR ELECTION TO DISNEY BOARD

Will File Preliminary Proxy Statement for Disney's 2023 Annual Meeting

Shareholder Materials Available at RestoreTheMagic.com

NEW YORK, January 11, 2023 – Trian Fund Management, L.P. ("Trian"), whose investment funds collectively own approximately 9.4 million common shares of The Walt Disney Company (NYSE: DIS) ("Disney" or the "Company") valued at approximately $900 million[i], tomorrow will file a preliminary proxy statement with the Securities and Exchange Commission for the election of Nelson Peltz, its Chief Executive Officer and Founding Partner, to Disney's Board of Directors at the 2023 Annual Meeting of Shareholders.

Disney is one of the most advantaged consumer entertainment companies in the world, with unrivaled global scale, irreplaceable brands, and opportunities to monetize its intellectual property ("IP") better than its peers by leveraging the Disney "flywheel" (e.g., networks, theme parks, consumer products, etc.). As such, Disney should be well positioned to navigate the ongoing transition from legacy content distribution channels to streaming.

However, despite Disney's significant advantages, recent share price and operating performance have been disappointing. Disney shares are currently trading near an 8-year low despite the Company's recent decision to re-hire Bob Iger as CEO (see Appendix A). The Company's total shareholder return ("TSR") has materially underperformed the S&P 500 over 1-year, 3-year, 5-year and 10-year periods by -24%, -60%, -66%, and -116%, respectively[ii] (see Appendix B). Operating performance has deteriorated, including a 50% decline in adjusted Earnings Per Share ("EPS") since FY 2018 despite Parks profitability surpassing historical levels (see Appendix C).

Trian believes that Disney's recent performance reflects the hard truth that it is a company in crisis with many challenges weighing on investor sentiment. While we acknowledge that Disney, like many media companies, is undergoing a challenging pivot to streaming, Disney also benefits from owning best-in-class intellectual property, a more diversified business mix, and a Parks business that is enjoying all-time high profitability. As such, we believe that the Company's current problems are primarily self-inflicted and need to be addressed immediately, including:

POOR Corporate Governance

- Failed succession planning
- "Over-the top" compensation practices
- Minimal shareholder engagement, including an apparent unwillingness to fully engage constructively with Trian

POOR Strategy & Operations

- Flawed Direct-to-Consumer ("DTC") strategy struggling with profitability, despite reaching similar revenues as Netflix and having a significant IP advantage
- Lack of overall cost discipline
- Overearning in the Parks business to subsidize streaming losses

POOR Capital Allocation

- Since 2018, Disney's EPS has been cut in half despite $162bn spent on mergers and acquisitions ("M&A"), capital expenditures ("Capex") and content – approximately equal to Disney's entire current market capitalization[iii]
- Management, in Trian's view, has shown poor judgment on recent M&A efforts including overpaying for the 21st Century Fox assets and bidding aggressively for Sky plc

- Increased financial leverage and deteriorating cash flow resulting in the **elimination of the dividend that had been paid for 50+ years**, even as COVID receded and Parks profitability surpassed historical levels

"Disney has an incredible legacy as one of the leading and most successful consumer entertainment companies in the world, having built some of the most celebrated consumer brands and an unparalleled content portfolio that resonates with audiences of all ages across the globe. But in recent years, the Company has lost its way resulting in a rapid deterioration in its financial performance from a consistent dividend-paying, high free cash flow generative business into a highly leveraged enterprise with reduced earnings power and weak free cash flow conversion," said Nelson Peltz.

Peltz continued, "Disney has enormous potential, but today is struggling with numerous challenges and must act with urgency to accelerate profitability in its DTC business. As a highly engaged shareholder serving on Disney's Board, my goal would be to work collaboratively with Bob Iger and other directors to take decisive action that will result in improved operations and financial performance, enhanced shareholder value and a robust succession planning process that will set the stage for sustainable growth over the long term. Trian has studied Disney's business for over a decade, and we are confident that as an independent voice I can add significant value in the boardroom and represent the interests of all Disney shareholders."

Trian Believes Nelson Peltz Can Help Disney Address Its Challenges

Trian believes that it can help Disney **restore the magic** and reclaim its position as a best-in-class company that delivers highly attractive returns for shareholders. Mr. Peltz and Trian have significant expertise and successful track records of working with management teams and boards to turn around companies with strong underlying fundamentals that have drifted off course. Mr. Peltz, as a director with meaningful ownership of Disney's stock, will also bring an ownership mentality to the boardroom and will seek to increase transparency and accountability.

At companies in which Trian has invested where Mr. Peltz has served on the board of directors, company TSR growth during Mr. Peltz's board tenure has, on average, outpaced the S&P 500 by ~900 basis points annually[iv].

Upon attaining Board representation, Trian will look to work collaboratively with Disney's leadership to:

FIX Corporate Governance

- Develop an effective succession plan
- Align compensation with performance

FIX Strategy & Operations

- Improve DTC operating margins
- Eliminate redundant and/or excessive costs
- Refocus the creative engine to drive profitable growth

FIX Capital Allocation

- Enhance accountability on capital allocation
- Reinstate the dividend by FY 2025

What Trian is Pushing FOR and is NOT Pushing For

Trian's objective is to create sustainable, long-term value at Disney by working WITH Bob Iger and the Disney Board. We recognize that Disney is undergoing a period of significant change and we are NOT trying to create additional instability.

TRIAN IS:

NOT looking to replace Bob Iger	**FOR** ensuring a successful CEO succession within 2 years
NOT advocating for a break-up of Disney	**FOR** reinvigorating the Disney "flywheel"
NOT advocating to increase financial leverage	**FOR** orderly deleveraging
NOT seeking to cut costs that impact product quality or customer experience	**FOR** driving efficiencies and additional profits
NOT advocating for aggressive price increases at the expense of customer experience	**FOR** ensuring customers get real value across all business lines
NOT advocating for a permanent dividend cut	**FOR** reinstating the dividend by FY 2025

***Trian's preference was to avoid a proxy contest*.**

To that end, Trian has tried to effect a resolution through constructive dialogues with members of the Disney Board and management team over the past several months. Trian is disappointed that, to date, the Company has rejected Trian's request to expand the Disney Board by one director who can provide fresh perspectives and represent shareholders' interests – an action we strongly believe would lead to positive change with no discernible downside.

Nelson Peltz's Background and Experience

Nelson Peltz is Chief Executive Officer and a Founding Partner of Trian. Mr. Peltz, along with Ed Garden and Peter May, founded Trian in November 2005.

Mr. Peltz serves as the non-executive Chairman of The Wendy's Company. Mr. Peltz is also a director of Unilever PLC and Madison Square Garden Sports Corp. (f/k/a The Madison Square Garden Company). He previously served as a director of Janus Henderson Group plc from February 2022 to November 2022, Invesco Ltd. from October 2020 to February 2022, The Procter & Gamble Company from March 2018 to October 2021, Sysco Corporation from August 2015 to August 2021, Legg Mason, Inc. from October 2009 to December 2014 and May 2019 to July 2020, Mondelēz International, Inc. from January 2014 to March 2018, MSG Networks Inc. from December 2014 to September 2015, Ingersoll-Rand plc from August 2012 to June 2014, and H. J. Heinz Company from September 2006 to June 2013. Mr. Peltz was recognized by The National Association of Corporate Directors in 2010, 2011 and 2012 as among the most influential people in the global corporate governance arena.

From April 1993 through June 2007, Mr. Peltz served as Chairman and Chief Executive Officer of Triarc Companies, Inc. which during that period of time owned Arby's Restaurant Group, Inc. and the Snapple Beverage Group, as well as other consumer and industrial businesses. From 1983 until December 1988, Mr. Peltz was Chairman and Chief Executive Officer and a director of Triangle Industries, Inc., the largest packaging company in the world and a Fortune 100 industrial company, after which that company was acquired by Pechiney, S.A., a leading international metals and packaging company.

A native of Brooklyn, New York, Mr. Peltz attended The Wharton School of the University of Pennsylvania.

More information about Trian and its thesis for constructive change at Disney can be found at: *RestoreTheMagic.com*

ThirdPoint LLC ("ThirdPoint") to Sotheby's ("Target firm")

Exhibit 99.3

Third Point LLC
390 Park Avenue
New York, NY 10022
Tel 212 715 3880

October 2, 2013

Mr. William F. Ruprecht
Chairman, President and Chief Executive Officer
Sotheby's
1334 York Avenue
New York, NY 10021

Dear Mr. Ruprecht:

Funds managed by Third Point LLC ("Third Point") recently received Hart-Scott-Rodino approval to increase our stake in Sotheby's (the "Company") and now hold 9.3% of the outstanding shares, making us the Company's largest shareholder. Notwithstanding Sotheby's recent efforts – a belated announcement partially addressing poor capital allocation practices and the hiring of a new Chief Financial Officer – we remain concerned about its leadership, shareholder misalignment, strategic direction, and Board governance.

In particular, we are troubled by the Company's chronically weak operating margins and deteriorating competitive position relative to Christie's, as evidenced by each of the Contemporary and Modern art evening sales over the last several years. We are not persuaded by management's explanation that Sotheby's lower market share is due to uneconomic and predatory behavior by Christie's to secure major works. Based on discussions with market participants, it is our understanding that it has been Sotheby's who has most aggressively competed on margin, often by rebating all of the seller's commission and, in certain instances, much of the buyer's premium to consignors of contested works. We believe that Sotheby's should be competing based on the quality of its service, its expertise, and ability to generate the highest possible price for its customer. Regrettably, we have concluded that Sotheby's malaise is a result of a lack of leadership and strategic vision at its highest levels.

<u>Pressing Issues at Sotheby's</u>

We acknowledge that you, Mr. Ruprecht, were an able steward for the Company following both the price fixing scandal in 2000 and the financial crisis in 2008. Unfortunately, you have not led the business forward in today's art market. It is apparent to us from our meeting that you do not fully grasp the central importance of Contemporary and Modern art to the Company's growth strategy, which is highly problematic since these are the categories expanding most rapidly among new collectors. This is not to say that Sotheby's entire portfolio of art, antique, and collectible departments is not critically important – it is. However, Sotheby's success will be defined in large part by its ability to generate sales and profits in Contemporary and Modern art, as this is where the greatest growth potential lies.

Our research suggests Sotheby's crisis of leadership has created dysfunctional divisions and a fractured culture. There is a demoralizing recognition among employees that Sotheby's is not at the cutting edge – demonstrated by the Company's inability to even *develop* a coherent plan for an internet sales strategy, much less *implement* one. Sotheby's is struggling internationally, lagging in newer markets like China and the Middle East, where Christie's has established significant customer relationships. Similarly in private sales, while Sotheby's has improved, it remains squarely behind its main rival. We believe that with proper management and sufficient resources, Sotheby's has the potential to be a significant global player in the secondary sales market.

We have heard many excuses – but no good reasons – why Sotheby's competitive position is deteriorating, such as: "Christie's is buying market share and making uneconomic deals to make headlines," or "Christie's is private and doesn't have to disclose its guarantees." These pretexts are poor substitutes for the truth: despite its advantages of historical superiority, a more prestigious brand, and a publicly traded currency with which it can attract, motivate and reward top talent, Sotheby's has languished while Christie's has thrived.

Management's Lack of Alignment with Shareholders

Emblematic of the Company's misalignment with shareholder interests are both your own generous pay package and scant stock holdings by virtually all Board members. Third Point's current stake represents nearly 10 times the number of fully-vested shares held by Sotheby's directors and executive officers. Your personal holding of 152,683 shares, representing a mere 0.22% interest, is particularly noteworthy because you have been an employee of the Company since 1980 and its CEO since 2000.

In sharp contrast to your limited stock holdings is a generous package of cash pay, perquisites, and other compensation. We see little evidence justifying your 2012 total compensation of $6,300,399 in both salary and PSU awards valued at over $4 million, seemingly based on a mysterious target not disclosed in any of the Company's public filings. Your compensation award compares quite favorably to companies offered as peers in your own proxy statement: $3.9 million for the CEO of Nordstrom Inc. and $6.1 million for the CEO of Tiffany & Co. – both companies more than three times the size of Sotheby's – and yet Sotheby's has clearly underperformed these "comparables".

A review of the Company's proxy statement reveals a perquisite package that invokes the long-gone era of imperial CEOs: a car allowance, coverage of tax planning costs, and reimbursement for membership fees and dues to elite country clubs. What example does

this set for Sotheby's hard-working employees, who see leaders at the top collecting guaranteed perks rather than rewards delivered for growing earnings? In our experience, skewed compensation programs approved by a Board with little oversight inevitably result in exactly the type of lackadaisical corporate culture evident at Sotheby's today.

Limitations in Formulating and Executing Strategic Initiatives

Sotheby's current "strategy" is puzzling. The Company has stated that it intends to focus on "top clients" and high value lots, and shun the lower value lots that your top competitor has effectively captured by leveraging new technologies. Despite this "focus", Sotheby's market share relative to Christie's in items over $1 million actually *trails* its overall market share. Strategically, we cannot help but ask if ceding the market for lower value lots to your key rival has allowed them to generate profits and relationships with emerging collectors which they are using to compete against you at the top of the market. This is just one of many examples where a lack of leadership by a sleepy Board and overpaid executive team has resulted in missed new opportunities.

We are also troubled by the lack of expense discipline that has followed the financial crisis. The "Restructuring Plan" announced in 2007 targeted four areas, designed with the goal of "materially recalibrating Sotheby's cost base." This worked well when the Company battened down the hatches during the financial crisis and costs were significantly reduced. Yet, the absolute level of combined spending on these target areas – direct cost of services, marketing expenses, salaries and related costs, and general and administrative expenses – is now tracking in-line with peak 2007 levels despite revenues that are about 15% lower today. Of particular concern is the tens of millions of dollars spent annually on "professional fees" that never seem to result in any meaningful change in the way the business is operated. The one area you have managed to sustain some targeted cost savings is in "direct cost of services," which may simply be a function of holding approximately one-third fewer auctions. That is hardly an accomplishment.

In the course of our investigation into the Company's business practices, we came across numerous anecdotes of waste. Typical of the egregious examples was a story we heard of a recent offsite meeting consisting of an extravagant lunch and dinner at a famous "farm-to-table" New York area restaurant where Sotheby's senior management feasted on organic delicacies and imbibed vintage wines at a cost to shareholders of multiple hundreds of thousands of dollars. We acknowledge that Sotheby's is a luxury brand, but there appears to be some confusion – this does not entitle senior management to live a life of luxury at the expense of shareholders.

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Appendix B2 Management Interaction with Activists

Klaus Kleinfeld letter to Paul Singer, Elliott Advisors Limited ("Elliott")

KLAUS KLEINFELD

Dear Mr Singer,

In the last eighteen months, we have enjoyed the unique attention and unlimited pleasure of multiple exchanges with various representatives of yours in every such way remarkable firm. Unfortunately, we have not yet had the pleasure to meet. More than once have I been wondering what a special person the founder of such a firm must be.

It was much to my delight when I recently learned from Berlin what a phenomenal soccer enthusiast you must be. Quite a few people who accompanied you in Berlin in 2006 during and especially after the many matches you attended are still full of colorful memories about this obviously remarkable time; it indeed seems to have the strong potential to become lastingly legendary. How you celebrated your soccer enthusiasm and the "great time" you must have had in your Berlin weeks - unforgettable without a doubt - left a deep impression on them.

As a token of my appreciation to learn about this completely "other side" of you, I allow myself to send you a little souvenir, which might bring back some "vivid (hopefully positive) memories": The official match ball of the FIFA World Championships 2006 (called "Teamgeist", in English "Team spirit"). I would be honored if it found an adequate place on your memorabilia shelfs.

Sincerely,

PS: If I manage to find a native American Indian's feather headdress I will send this additional essential part of the memories. And by the way: "Singing in the rain" is indeed a wonderful classic – even though I have never tried to sing it in a fountain.

Appendix B3 Proxy Materials, Public campaign of Pershing Square Holding Ltd.

ADPASCENDING

Nominees for ADP's Transformation

September 20, 2017

Dear Fellow Shareholder:

Pershing Square is one of the largest shareholders of ADP. We made a $2.3 billion investment in ADP because we believe it is a good business that can be substantially improved. We intend to be long-term shareholders and will only propose changes that are in the company's long-term best interests.

In this letter and in the enclosed detailed supplement, we outline a substantial and achievable opportunity to improve ADP's operating efficiency, product and service offerings, and long-term shareholder value. Despite the large opportunity for improvement, ADP's board and management have made clear that they are committed to the status quo, recently releasing a "plan" which projects no improvement in its annual margin improvement targets. **In other words, the board and management have effectively said that they can't do any better.**

With your support, the three nominees we have proposed for the board – **The Nominees for ADP's Transformation** – will be elected at this year's annual meeting. They include myself, Bill Ackman, CEO of Pershing Square Capital Management, an investment firm which is the largest beneficial owner of shares of ADP, and two independent nominees, Veronica M. Hagen and V. Paul Unruh, who have no previous affiliation with Pershing Square.

These nominees will add a major shareholder's perspective to the board in addition to other fresh perspectives and relevant expertise in business transformation and operating efficiency to accelerate the necessary changes required for ADP to achieve its full potential. While our nominees, if elected, will represent a minority of the company's 10-person board, their election by shareholders will provide a clear mandate for the reconstituted board to transform ADP into a more efficient, profitable and competitive company.

The case for change is straightforward:

- ✓ **For many years, ADP has underperformed its potential.** ADP's operating efficiency and margins are well below those of competitors because of the company's inefficient and bloated corporate bureaucracy, weak labor productivity, and technology deficiencies.
- ✓ **ADP can be substantially improved.** ADP's largest segment, Employer Services, which currently represents two-thirds of ADP's profit, can increase its margins from 19% to 35% while accelerating revenue growth. This will drive an additional 50% increase in ADP's overall profitability, dividends, and stock price by 2021 compared with the status quo.
- ✓ **ADP's underperformance can be fixed without increasing risk.** ADP can significantly improve its performance and competitive position with a comprehensive plan focused on improving operational efficiency and technology leadership. The vast majority of necessary improvements can be addressed immediately and will not jeopardize ADP's business or client relationships. This is perhaps best demonstrated by examining the performance of other processing businesses previously owned by ADP, which after their disposition by the company, have undergone dramatic improvements in efficiency and performance while improving customer relationships and product offerings.

At ADP's annual meeting on November 7, 2017, shareholders will have the opportunity to vote for transformational change at ADP by electing highly qualified and experienced independent director nominees. If elected to the board, **The Nominees for ADP's Transformation** pledge to provide the ownership perspective and additional oversight necessary to improve ADP's performance and increase long-term shareholder value.

*Please vote **FOR** the election of all nominees on the **GOLD** proxy card today*

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Appendix C

Appendix C Additional interesting quotes from semi-structured interviews.

Topic	Quote
Impediments to activism	▪ *“They don’t engage when the market, is negative, if the dependence on political conditions is too great and long-term, then an activist investor does not get in.”* ▪ *“Foundation, a family, or some other anchor shareholder who holds most of the company. This is not to say that it completely prevents an activist from investing, but it does make it harder to.”* ▪ *“Macroeconomic, political. War versus peace, Corona - these are of course, all topics that play a significant role in stock market developments. So, to extract that now from the points in time that have been chosen for activist investments is simply impossible.”*
Activist definitions	▪ *“A fund that has a very broad range of investment strategies and thus actually aims above all to generate not an alpha, but absolute returns. Yes. Yes, I do. I just want to make more money out of €1,000.”* ▪ *"There are a lot of different flavors of hedge funds."* ▪ *"But then there are the activists that are willing to really substantially increase that pressure, set out their thesis in much greater detail, put out the white paper, the the letters, the microsites."*
Activist characteristics	▪ *“They range from most aggressive to least, aggressive, i.e., from most publicly*

aggressive to least, publicly aggressive. There are those that are most publicly aggressive, are more vocal. They run campaigns whereby they will publish very much their thesis through white papers. So, everything will be fought in the public domain, which is usually quite detrimental and concerning for the listed company that is being targeted."

- *"Every detail they are most are smart, yes, they are analytical, and they are very diligent and well prepared. If you go back to the people, with similar well-prepared arguments and analysis and facts, then you can convince them, because they are not, they are not good. Are not all equally sophisticated, but usually they are pretty much so sophisticated."*