The Impact of Shareholder Activism: The Case of Danone, Nestlé and Unilever

Ivan Cuesta

EDBA from Ecole des Ponts Business School

Paris, France

2021

Abstract

Context and Purpose—The increasing phenomenon of activist shareholders has, over the past years, extended its influence outside the United States and to new areas like the food industry. In November 2012, an activist shareholder, Nelson Peltz, became a stakeholder in Danone. In June 2017, another activist shareholder, Third Point LLC, became a stakeholder in Nestlé, the biggest company in the food industry, followed by Corvex Management in August 2017 in Danone. In January and February 2021, two new activist hedge funds, Bluebell Capital Partners, and Artisan Partners, acquired minority stakes in Danone. These new activists have kicked off a cohabitation journey between the mentioned protagonists, with already tangible impacts for the target companies and their competitors, like Unilever. The study aims to identify how activist shareholders entered the capital of major food players and understand how they affect them.

Design/Methodology/Approach—A mixed-method research design is used for this dissertation, including a literature review, theoretical framework, qualitative analysis, and quantitative financial analyses.

Theoretical Framework—The theoretical framework is based on agency theory, stakeholder theory, shareholder theory, and asymmetric information theory.

Research Questions—The overarching research question is broken down into four sub-questions:

- What are the reasons and the causes of the presence of activist shareholders in these target companies?
- What are the effects of the presence of activist shareholders on the companies' governance, portfolios, and communication?
- How are the financials of the target companies after an activist's event?

- What are the mid- and long-term consequences for the firms after activist shareholders enter the picture?

Findings—At different levels, the selected companies have shown typical characteristics of target companies. The effect of activism provoked positive outcomes for Nestlé and Unilever in terms of financial performances and governance and mitigated results for Danone. The potential agency issues of the firms are directly connected to the success of activism, especially in the case of Danone. In 2021, Nestlé delivered all activist requests, except for the divestment of the L'Oréal stake. This position could be the next chapter of fulfilling the requests of Third Point LLC. Unilever has delivered an internal activism plan that new activists may eventually challenge due to its average performances and high cash availability. After the four activist events of the last decade, Danone is still facing severe agency issues locking its performances. If these agency issues are considered unsolvable in the short term, Bluebell Capital and Artisan Partners might force a company's dismantling or a merger with a competitor.

Implications/Limitations—The practical implication of this study is to provide food industry managers a better understanding of the activist shareholders' approach and the consequent effects. The focus on major companies like Nestlé, Danone Group, and Unilever will provide transferability for managers. The study's main limitation is the uniqueness of the selected companies' history, size, context, and environment.

Keywords—activist shareholder, agency issues, agency theory, financials, food industry, governance, portfolio management, shareholder theory, stakeholder theory

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

Chapter 1: Introduction

The practice of activist shareholders (ASs) is an increasing phenomenon (Brav, Jiang, Kim 2015). According to Cyriac et al. (2014), "activist investors, or shareholders, are defined as investment-management firms—most often hedge funds—that have acquired beneficial ownership of a company and filled a form 13D1 indicating the intent to influence a management team" (p. 8). Historically based in the United States, ASs have been extending, over the past years, their perimeter to Europe and Japan (Christie, 2017; Krishnan et al., 2015; Slawotsky, 2016). Relevant AS firms include Carl Icahn, Third Point, ValueAct Capital, and Trian Partners (Krishnan et al., 2015). In the consumer industry, ASs often converge on the same companies, such as Danone, P&G, or Nestlé, and influence each other on a peer-to-peer level, creating a new industry environment and benchmark (Collett, Ennis, Sahoo, De la Grense (2016) ; Trian Partners, 2017).

Purpose

The purpose of this study is to first identify the causal factors of the emergence of ASs in the capital of the target companies. The research then focuses on understanding the potential impact of ASs on the organizations and financial performances of three companies: Nestlé, Danone Group, and Unilever. These companies were chosen for the study based on three considerations:

- Nestlé is the worldwide reference, being the most prominent corporation in the food industry.
- Danone Group is a leading global competitor in the food industry, dealing with ASs since 2012.
- Unilever is a leading global competitor in the food industry. While it does not have an AS in its shareholding structure, it is being influenced by the AS phenomenon in the industry.

Background

Nestlé is a Swiss company founded in 1866. With an annual turnover of CHF 84.3 billion in 2020, Nestlé is the largest worldwide operator in the food industry. Until 1988, the capital shares of the company were not liberalized; 66% of the shares had to be under the ownership of Swiss nominative owners (Heer, 1991). Currently, the largest Nestlé shareholders are the Swiss pension funds, holding 8.8% of total shares. Then, hedge funds and the Norwegian sovereign fund are the most important shareholders, all representing less than 2.5% of total shares. Third Point LLC, a New York-based hedge fund, acquired 1.25% of Nestlé's shares in June 2017 (Chaudhuri, 2017). As an AS, Third Point LLC issued a letter justifying its purchase of shares to communicate its expectations and ambitions for the company (see Appendix A).

Danone is a French-based company built over the years through mergers, acquisitions, and divestments. Its focus on food business is the consequence of the strategic decision of CEO Antoine Riboud in 1970 to divest from the historical flat glass sector to acquire its primary clients in the beverages category (e.g., Kronenbourg, Evian), then in 1971 in baby food (Diepal), and in 1973 in the dairy category (Gervais-Danone). With an annual turnover of €23.6 billion in 2020, Danone is involved in dairy, water, infant, and clinical nutrition, as well as plant-based drinks. To finance its growth in the 1980s, the company (called BSN at that time) did several capital increases, which diluted the shareholding structure and made it vulnerable to a potential hostile takeover. To respond to the takeover threat, mainly from American companies (e.g., Phillip Morris, PepsiCo), Riboud created a strategy called the "Chartres Cathedral" to suggest that the company keep its French passport by consolidating the shareholding structure and votes around a few strategic shareholders (Jacquet, 1998). Later, we will see that Riboud's strategy can be considered a preventive "poison pill."

Currently, the largest shareholders of Danone are investment management companies, such as MFS Investment Management with 7.36% of the outstanding shares, BlackRock with 5.74%, and Amundi Asset Management with 3.38%. The majority of the stakes, 66%, are floating. In 2012, activist Nelson Peltz stepped into the shareholding structure with his fund Trian Partners, acquiring 1% of the capital (McCrum, 2012). But Trian Partners sold its entire investment seven months later (Basini & Nicot, 2013). In 2017, the AS Corvex Management acquired 0.75% of the total shares, and stated that the company was undervalued (Geller & Pratap, 2017). In January and February 2021, two new AS hedge funds—Bluebell Capital Partners and Artisan Partners—acquired minority stakes in Danone at 0.05% and 3% of outstanding shares respectively (Abboud, 2021a; Kar-Gupta et al., 2021).

Unilever is an Anglo-Dutch consumer company, stock listed in Amsterdam and London, focusing on three categories: food, personal, and home care products. The company was formed by the merger of Dutch Margarine Unie and British soapmaker Lever Brothers in 1929. Its annual turnover in 2020 was €50.7 billion. In February 2017, Unilever faced a hostile takeover from Kraft Heinz and its shareholders 3G Capital and Berkshire Hathaway (Geller & Barbaglia, 2017). Unilever's shareholders have rejected the takeover proposal, but it provoked an acceleration of the firm's agenda that observers and managers of Unilever described as internal activism.

This study will investigate the causal effects of the presence of ASs in the target companies. It will also seek to understand how this new landscape of AS is influencing the organization and financial performance of the selected companies.

Chapter 2: Literature Review

Definition of an Activist Shareholder

"Activist investors, or shareholders, are defined as investment-management firms—most often hedge funds—that have acquired beneficial ownership of a company and filled a form 13D indicating the intent to influence a management team" (Cyriac et al., 2014). These hedge funds are typically considered a hybrid between delegated portfolio managers, like pension funds or mutual funds, and corporate raiders (Clifford, 2008). There is no legal definition of what a hedge fund is. It is an investment body, or investment vehicle that is relatively free from the regulatory controls of the Securities Act of 1933, the Securities Exchange Act of 1934, and most notably the Investment Company Act of 1940. They maintain their exemption from securities and mutual fund registration by limiting the number of investors and allowing only experienced investors with significantly high net worth (Klein & Zur, 2009). They usually have fewer than 100 investors or only qualified purchasers. Qualified purchasers are individuals with at least US$5 million to invest, or business structures with a minimum of US$25 million (Kraik, 2019). Unlike mutual or pension funds, hedge funds can use leverage or derivatives to increase their effectiveness in getting ownership of a target company (Clifford, 2008).

Moreover, not all hedge funds practice shareholder activism. Usually, hedge funds that engage in shareholder activism have less investor demand for liquidity, more extended lock-up periods to withdraw capital, and do not use higher amounts of leverage than their peers (Clifford, 2008). In this study, the AS definition is not limited to hedge funds. Indeed, investment management firms like 3G Capital can also be considered ASs, especially by triggering "internal activism" on potential targets to prevent an attack from the investment firm (Christie, 2017). Krishnan et al. (2015) mapped and categorized hedge fund shareholders' activism into two groups: top investors and most active investors. The mapping allows for the identification of the leading players in the industry based on the financial scale of investment and frequency of acting on the market. Black et al. (2020) also mapped the top 10 hedge fund activists based on their volume influence in 2019. Based on these two sources, the most relevant actors are Carl Icahn, Trian Partners, Third Point, Elliott Management, ValueAct Capital, Pershing Square, and Jana Partners.

Shareholder activism is mainly a U.S.-based phenomenon, but it has extended its influence into Europe and Japan (Becht et al., 2017; Christie, 2017; Krishnan et al., 2015; Slawotsky, 2016). In 2019, out of 824 activist actions on target companies, 470 were in the United States, 130 were in Europe, and 58 in Japan (Black et al., 2020).

Many authors have noted the increasing importance of the AS phenomenon by illustrating their booming interventions on companies regarding financial value as well as frequency (Bebchuk et al. (2017); Clifford, 2008; Coffee & Palia, 2016; Foldesy et al., 2016; Khorana et al., 2017; Slawotsky, 2016). From 2010 to 2014, U.S.-listed companies have seen the numbers of activist campaigns double compared to the previous decade. The target companies' market capitalization moved from US$2 billion to US$10 billion (Cyriac et al., 2014). Between 2014 and 2019, there was an increase of 30% in activist actions (Black et al., 2020).

The sudden spike of the activist shareholder phenomenon is due to the conjunction of different factors. Indeed, as Coffee and Palia (2016) noted:

> once upon a time, institutional investors followed the "Wall Street Rule": if dissatisfied with management, they sold their stock, but they did not attempt to intervene or challenge management. This passivity was probably the consequence of shareholder dispersion (which made activism costly) and conflicts of interests (large banks—both commercial and investment—did not want to alienate corporate clients). With the growth in institutional ownership, however, behavior changed. (p. 11)

This statement allows us to identify three sub-factors that have supported the rise of ASs:

- *The decline of staggered boards.* When a board is staggered, directors are elected for three years, and one third of the elected directors are subject to election every year (Bebchuk et al., 2015). Staggered boards have been a limitation for ASs to take over the power on the board of companies on short notice. It could only be challenged and changed partially by voting every year. Activist opponents even defended the staggered boards to protect target companies.

- *The increased power of proxy advisors.* Asset managers, like mutual funds, exchange-traded funds, and private advisors, hold most U.S. public companies (Spatt, 2019). On behalf of their clients, they hold a significant power in voting on shareholders' resolutions. To keep low fixed costs and benefit from economies of scale to execute financial analyses and due diligences, asset managers have increasingly referred to outsourced advisors, called proxy advisors, to position themselves on their voting obligations (Coffee & Palia, 2016; Spatt, 2019). For example, the leading proxy advisor companies are Institutional Shareholder Services, Inc. (ISS) and Glass, Lewis & Co., LLC (Glass Lewis; Coffee & Palia, 2016; Spatt, 2019). These two proxy advisor companies usually follow shareholders' activism, promoting similar shareholders' returns and anti-takeovers policies (Coffee & Palia, 2016). Consequently, proxy advisors have a significant power in making an activist campaign successful or not (Christie, 2017).
- *Changes in SEC rules.* Until 1992, the SEC rules were considered very conservative, as any communication from shareholders could be interpreted by the companies' management as a proxy solicitation, which has to follow a precise, bureaucratic, and expensive process under the SEC's supervision (Coffee & Palia, 2016). To respond to this challenge, the SEC enacted some deregulation, including:
    - the permission of voting advice from proxy advisors;

- the possibility of any kind of shareholder communication as long as there is no objective of proxy authority; and
- the possibility for minority shareholders, like hedge funds, to look for representation during board seat elections without a takeover bid and be able to promote an activist agenda (Coffee & Palia, 2016).

The SEC's deregulation continued between 1999 and 2005, facilitating shareholders' offline discussions and reducing proxy statement obligations for minority shareholders (Coffee & Palia, 2016).

- Historically, brokers voted to follow management's proposals. Starting in 2010, brokers were not allowed to vote on behalf of their clients without their instructions. Therefore, the weight of retail shareholders diminished in favor of institutional investors, which were more accessible and cheaper for ASs to deal with (Coffee & Palia, 2016).
- Since 2016, institutional investors and proxy advisors have been working on modifying the current proxy access rule. Indeed, if shareholders do not physically attend the shareholders' meeting, they cannot select different card candidates for board seat elections. They have to choose a card, e.g., the management card or the activist card. The SEC recently modified the rules for universal proxy cards to allow shareholders to pick and choose nominees from different cards, even without attending the shareholders' meeting. Companies like General Electric, Mellanox Technologies, and Sandridge Energy had proactively started to use universal proxy cards (Hirst, 2018).

Table 1: Literature Summary on Activist Shareholders

Author(s)	Year	Findings
Bebchuk et al.	2017	• Activism has increased in value and frequency over the past years. • Staggered boards' decline has increased activists' influence.
Becht et al.	2017	• Activism is a U.S.-based phenomenon, extending its influence overseas.
Christie	2017	• Activism is a U.S.-based phenomenon, extending its influence overseas. • Companies like 3G Capital can be considered activist in their practices.
Coffee & Palia	2016	• Activism has increased in value and frequency over the past years. • Shareholder passivity was due to capital dispersion and conflicts of interests. • Asset managers increasingly refer to proxy advisors. • Proxy advisors usually follow shareholder activists. • SEC rule liberalization is a catalyst for activism.
Clifford	2008	• Activism has increased in value and frequency over the past years. • Hedge funds are hybrid investors between pension funds, mutual funds, and corporate raiders. • Hedge funds can use leverage or derivatives to increase the investment's power. • Hedge funds that do activism have less demand for liquidity, higher lock-up periods, and less leverage than their peers.
Cyriac et al.	2014	• Activist investors, or shareholders, "are defined as investment-management firms—most often hedge funds—that have acquired beneficial ownership of a company and filled a form 13D indicating the intent to influence a management team" (p. 8). • Activism has increased in value over the past years
Foldesy et al.	2016	• Activism has increased in value and frequency over the past years.
Hirst	2018	• The use of universal proxy cards allowed investors to pick and choose nominees from different cards.
Khorana et al.	2017	• Activism has increased in value and frequency over the past years.
Klein & Zur	2009	• Hedge funds are relatively free from regulatory controls.
Kraik	2019	• Hedge funds usually have fewer than 100 investors or only qualified purchasers.
Krishnan et al.	2015	• Activism is a U.S.-based phenomenon, extending its influence overseas. • Activists are categorized as the top or most active investors.

		• The most relevant activists are Carl Icahn, Trian Partners, Third Point, Elliott Management.
Slawotsky	2016	• Activism has increased in value and frequency over the past years.
Spatt	2019	• Asset managers hold most U.S. public companies. • Asset managers increasingly refer to proxy advisors.

From Market to Corporate Control to Activist Shareholders

From a governance point of view, the AS approach consists of the concept of quasi-control. Christie (2017) defined "*quasi-control* as power that is greater than influence, but that falls short of actual corporate control" (p. 3). Indeed, activists are entitled to influence a company with small minority shares, with eventual "'golden leash' compensation structures" (Christie, 2017, p. 4) like Third Point with Nestlé, or Trian Partners with P&G, when a private equity investor acquires a majority of stakes to get complete control. Indeed, on average, activists hold 11% of the stakes of target companies (Becht et al., 2017).

This influence can be successfully transformed into settlements between companies and ASs. Settlements have grown significantly over the last years and are contributing to an acceleration in management changes, board seat access, and shareholder payouts (Bebchuk et al., 2017). To achieve these objectives, ASs focus on board-related and governance activism to secure their representation on the board and on operational activities such as efficiency measures, cost cutting, and restructuring, as well as on mergers and acquisitions (M&A) activism (Christie, 2017).

Additionally, by being aware of the increasing influence and threat of activism, many management teams of potential target firms have built proactive plans to anticipate the demands of hypothetical activist investors to facilitate settlements in the interests of all parties (Cohen, 2017; Cyriac et al., 2014; Foldesy et al., 2016; Khorana et al., 2017).

Table 2: Literature Summary of Activist Shareholders' Corporate Control

Author(s)	Year	Findings
Bebchuk et al.	2017	• Settlements have increased over the past years and contributed to increased outcomes.
Becht et al.	2017	• On average, activists hold 11% of the stakes of target companies.
Christie	2017	• The governance concept of activists is quasi-control. • Quasi-control has greater influence but is short in corporate control. • Quasi-control can be translated into influencing governance, operations, and M&A.
Cohen	2017	• To prevent activism, companies proactively prepare actions for potential settlements
Cyriac et al.	2014	• To prevent activism, companies proactively prepare actions for potential settlements.
Foldesy et al.	2016	• To prevent activism, companies proactively prepare actions for potential settlements.
Khorana et al.	2017	• To prevent activism, companies proactively prepare actions for potential settlements.

Profiles of Target Companies

The profile of target companies for ASs combines these main parameters: underperformance in comparison to peers' benchmarks, low shareholder return, weak cashflow management, and opportunities for capital changes (Bebchuk et al., 2015; Cyriac et al., 2014; Trian Partners, 2017). Clifford (2008), Brav et al. (2008), and Fos (2017) summarize the typical profile of target companies as *value companies*—companies with a lower market value than what the books report (Tobin's Q), but still profitable. There is a consensus in the literature that for many target companies, the underperformance in comparison to peers is temporary. Target companies may have been performing well with comparable stock returns and operating KPIs in the years prior to the activist event, but had a sudden low performance in the year of an activist event (Brav et al., 2008; Coffee, 2014; deHaan et al., 2018; Fos, 2017; Goodwin, 2015). Target companies are typically more protected against hostile takeovers and give higher remuneration to their CEO than their peers (Brav et al., 2008). They also have a lower-than-average bankruptcy risk (Klein & Zur, 2009). There is an open debate when it comes to the typical size of the target firms. Some studies state that target companies have a smaller size than a control sample, which provides Ass with easier access to control of a minimum number of shares (Brav et al., 2008). But this trend of focusing mainly on smaller-size companies has moved from a target value of below US$2 billion before 2010 to US$10 billion by 2014 (Cyriac et al., 2014). This was confirmed by Black et al. (2020), who noted that the market capitalization above US$2 billion of target companies has moved from 33% to 37% of total activist campaigns in the United States. From a governance perspective, target companies also have different profiles. They are usually more prepared against hostile takeovers, have higher institutional shareholders, and are more covered by financial analysts (Becht et al., 2017; Brav et al., 2008). Consequently, agency problems contribute to becoming a target firm (Brav et al., 2008; Fos, 2017; Zhu, 2013).

Table 3: Literature Summary of Target Company Profiles

Author(s)	**Year**	**Findings**
Bebchuk et al.	2015	• Typical target companies have lower financial performance than their peers and opportunities for capital changes.
Becht et al.	2017	• Target companies have higher institutional shareholders and are more covered by financial analysts.
Brav et al.	2008	• Target companies have more agency problems. • Target companies are value firms with Tobin's Q attractivity and are profitable. • Target companies usually have a low performance during the year of an activist event. • Target companies are more protected against hostile takeovers and give high remuneration to the CEO. • Target companies have higher institutional shareholders and are more covered by financial analysts.
Coffee	2014	• Target companies usually have a low performance during the year of an activist event.
Clifford	2008	• Target companies are value firms with Tobin's Q attractivity and are profitable.
Cyriac et al.	2014	• Typical target companies have lower financial performances and opportunities for capital changes than their peers. • Target size has increased over recent years.

deHaan et al.	2018	• Target companies usually have a low performance during the year of an activist event.
Fos	2017	• Target companies are value firms with Tobin's Q attractivity and are profitable. • Target companies usually have a low performance during the year of an activist event. • Target companies have more agency problems.
Goodwin	2015	• Target companies usually have a low performance during the year of an activist event.
Klein & Zur	2009	• Target companies have lower-than-average bankruptcy risks.
Trian Partners	2017	• Typical target companies have lower financial performances and opportunities for capital changes than their peers.
Zhu	2013	• Target companies have more agency problems.

The Concept of "Too Big to Be an Activist"

As previously discussed, the modus operandi of ASs consists of identifying underperforming companies, acquiring a minority share, and requiring strategic or management changes to increase financial performance to at least the benchmark level. Why are such statements on low performance and requests on companies' changes made publicly by ASs and not by the existing shareholders, security analysts, or bankers? Coffee (2006) demonstrated how institutional gatekeepers, such as auditors and board of directors, but also shareholders, security analysts, and bankers, have failed in evaluating the financial performance of companies like Enron or Worldcom. This failure, according to Coffee, is the consequence of the explicit or non-explicit conflicts of interest of the gatekeepers. For example, the leading auditing company of Enron, Andersen, was also contracted by Enron for more profitable consulting contracts, which biased the role of gatekeeper and provoked the collaboration of the auditing company to the fatal accounting fraud of Enron.

Davis and Kim (2005) and Morley (2019) recognized the natural conflicts of interest of big mutual funds, such as Vanguard, BlackRock, or Fidelity, which does not allow them to act as ASs. Indeed, these mutual funds also sell financial services to the target companies, and they invest in debts or derivatives of the same companies. This leads to a natural conflict of interest that does not permit acting as an activist, as it would automatically play against the interest of the different investments of the fund. According to Clifford (2008), hedge funds can also buy the target company and take complete corporate control, which is not an option for mutual funds. This threat of corporate control is an additional tool that hedge funds can use in activism, while mutual funds can't play this card. Legally, as a 13d filing obliges every investor to declare all its shares above 5% in the target company, a mutual fund is obliged to report its direct investments and the entire chain of its clients, which might also be shareholders of the target company. This obligation of tracing the whole chain of shares for a mutual fund is a barrier from a cost and administrative perspective. This 5% threshold is the current rule in the United States. In European countries, this threshold is between 2% and 3% (Becht et al., 2017).

Table 4: Literature Summary of Too Big to Be an Activist

Author(s)	Year	Findings
Becht et al.	2017	• The threshold to disclose ownership for activists is 5% in the United States and between 2% and 3% in Europe.
Clifford	2008	• Hedge funds can play the card of threat of full corporate control, contrary to mutual funds.
Coffee	2006	• Gatekeepers are subject to conflict of interests for monitoring a firm.
Davis & Kim	2005	• Mutual funds have too many conflicts of interest with firms to be activists.
Morley	2019	• Mutual funds have too many conflicts of interest with firms to be activists.

Opponents of Activist Shareholders

Despite the communication on the long-term approach of ASs like Trian Partners (Christie, 2017) or the private equity firm 3G Capital (Colvin, 2017), activist opponents consider AS effects to be negative and short-term oriented (Christie, 2017; Slawotsky, 2016), which creates a deflationist cycle and sources for corporate scandals. The most prominent opponent of ASs is American lawyer and lecturer Martin Lipton. His work tends to demonstrate the inefficiency and adverse effects of ASs for corporations. According to him, ASs are “a disaster for the economy” (Helliker, 2018, “Are you more often recommending” section), and he challenged Milton Friedman’s stockholder’s theory. His conviction to defend corporations against ASs is fed by several studies referenced in his publications. George and Lorsch (2014), for example, “remain unconvinced . . . that hedge fund activism is a positive trend for U.S. corporations and the economy” (as cited in Lipton, 2015a, para. 21). Lipton (2015b) also cited a study by Allaire (2015), who noted that:

- hedge fund activists are not really that great at finance or strategy or operations, as some seem to believe (and as they relentlessly promote);
- their recipes are shop-worn and predictable and (almost) never include any growth initiatives;
- their success mainly comes from the sale of the target firm (or from “spin-offs”); their performance otherwise barely matches the performance of the S&P 500 and that of a random sample of firms; [and]
- the strong support they receive from institutional investors is somewhat surprising and quite unfortunate. (para. 5)

Lipton (2015a) also references public statements from mutual funds, such as Laurence Fink from BlackRock, who claimed that activist’s strategies “destroy jobs” (para. 3). This declaration is supported by Allaire and Dauphin (2015), who found a 15% employment rate gap between companies targeted by ASs and the random comparison sample.

Coffee and Palia (2016) and Allaire and Dauphin (2015) demonstrated that shareholder activism is negatively and significantly affecting the R&D and capital expenditure investments of target companies, which feeds Lipton’s (2015a) position that ASs cut investments for the mid- and long-term perspective. However, activist proponents highlighted positive effects on corporate governance, management performance (Swanson & Young. 2017), shareholder value creation (Slawotsky, 2016) and, surprisingly, on R&D investment effectiveness (Brav et al., 2015). It is indeed an open debate between academics. Bebchuck et al. (2015) noted that there is no evidence that investment limiting in R&D or capital expenditures requested by ASs affects the long-term operating performance of the target company. They even highlighted that this investment limiting qualitatively improves the way the target company manages investments, as "managers have a tendency to invest excessively and that decreases in investments might thus move targets toward, rather than away from, optimal investment levels" (p. 1137). Coffee and Palia (2016) challenged the conclusions of the benefits of investment limiting, as the regressions from Bebchuck et al. (2015) were statistically discussable to demonstrate the impact on return on assets (ROA) and Tobin's Q, as the level of confidence and the quantity of negative coefficient were not satisfactory. Moreover, Coffee and Palia (2016) insisted that target companies are not selected randomly by ASs. Consequently, other variables that are typical of target companies' profiles should be added into the quantitative study.

Table 5: Literature Summary of Activist Shareholder Opponents

Author(s)	Year	Findings
Allaire & Dauphin	2015	• Activism reduces the employment rate of target companies by 15%. • Activism reduces R&D and Capex investments.
Bebchuck et al.	2015	• There is no evidence that R&D and Capex cuts decrease operating performances. • Activism improves R&D investment efficiency.
Brav et al.	2015	• Activism improves R&D investment efficiency.
Christie	2017	• Activists claim long-term approaches.
Coffee & Palia	2016	• Activism reduces R&D and Capex investments. • There is no evidence of investment efficiencies due to activism.
Colvin	2017	• Activists like 3G claim long-term approaches.
Lipton	2015a, 2015b	• Activism is a "disaster for the economy." • Activism destroys jobs. • Activism reduces R&D and Capex investments.
Swanson & Young	2017	• Activism improves governance and management performance.
Slawotsky	2016	• Activism improves shareholder value creation.

Are Activist Shareholders Creating Value?

As seen in the previous chapter, there is an open debate between AS opponents and proponents. This debate also exists since the debate actors do not have the same definition of value creation or destruction and the same understanding of who should be the value beneficiaries. To reflect the current contribution of the literature, the review for this part will focus on stock return, operating performances, and any potential wealth transfers.

Stock Return. Bebchuk et al. (2015)'s referent study on stock return performance on the AS phenomena, built on a dataset from 1994 to 2007, covered more than 2,000 Schedule 13D filings by hedge funds. The study showed a positive abnormal return of 6% on stocks in the short term. Activist opponents also recognize this short-term positive effect, but claim that this spike is at the cost of long-term returns. In the long term, the study demonstrated that in more than 1,600 cases, there was also a positive abnormal return of 2.58% for 36 months of stock holding and 5.81% for 60 months of stock holding. These abnormal returns might not be considered statistically relevant for the structural effects of the activists on the stock returns. Still, as Bebchuk et al. stated, there is "no support for the claim that activist intervention makes shareholders of target companies worse off in the long term" (p. 1130).These findings were confirmed by another study of 4,871 activist campaigns between 1994 and 2014 (Swanson & Young, 2017), which found similar ranges of abnormal returns in short and long-term periods. Respectively, the study demonstrates a positive abnormal return of about 4.5% for the days surrounding the announcement of the 13D filing, with a significantly higher return of about 17% when the activist required the company to be sold. As for the previous study, there is no evidence that the short-term positive return is at the cost of long-term return. Indeed, after 24 months, this study found an average positive abnormal return of 11.5%. Similar studies confirmed such trends for short- and long-term abnormal returns due to activist events (Bebchuk et al., 2015; Becht et al. 2009; Brav et al., 2008; Clifford, 2008; Fos, 2017; Klein & Zur, 2009; Krishnan et al., 2015; Swanson & Young, 2017).

Despite these positive findings of average abnormal returns, the distribution of the results also shows that the abnormal returns are negative for a certain number of target companies. Clifford (2008), Brav et al. (2008), Klein and Zur (2009), and Becht et al. (2009)

found that 37.2%, 38%, 25%, and 28.3% of target companies, respectively, earned negative abnormal returns. Allaire and Dauphin (2015) also reported that abnormal returns are moderately positive, even if many cases are negative. For deHaan et al. (2018), “long-term returns insignificantly differ from zero” (p. 536).

To understand how AS events create or do not create abnormal returns, Becht et al. (2017) identified the outcome scenarios that lead to positive or negative abnormal returns. Even if the study approved the findings already described for average positive abnormal returns of activist engagements, it showed that the quality of the activist engagement outcomes caused the abnormal returns to be distributed differently. Activist event outcomes are divided into categories, such as board changes, payouts, restructuring, and takeovers. Abnormal returns are generally higher with multiple outcomes, including a takeover, up to 18.3%, and lower with only a payout outcome, from -0.16% to 1.42% in a 10-day or 20-day window around an activist event. So, the abnormal return with only a payout outcome from the AS is not significant. Moreover, the study highlighted that the probability of positive outcomes is higher with a joint event of different activists, called a “wolf pack.” Conventionally, for the entire period of AS activism, shareholder engagements “without outcomes generally do not generate significant shareholder value under any specification. Engagements with outcomes however generate value for shareholders, with value generation closely linked to these outcomes” (Becht et al., 2017, p. 2965). These findings are supported by Allaire and Dauphin (2015), who found that stock performances depend on what the activists obtain as outcomes from the target company. Outcomes like full or partial takeovers get higher returns than governance changes, for example.

Should the positive abnormal returns only be credited to the ASs? As previously noted, ASs do not always provide positive abnormal returns, even if, on average, they do under certain conditions. It means that there is an open debate, as the previous studies usually connected the target companies' performances to the AS engagement. Coffee and Palia (2016) highlighted the lack of evidence in all these studies, as "most of the studies find that positive abnormal returns are *not* statistically significantly related to changes in real variables that occur subsequent to the activists' intervention" (p. 68). In the same direction, Allaire and Dauphin (2015) questioned whether the credit should be attributed to the activist for the midterm, as their average holding period is 18 months. Indeed, even Bebchuck et al. (2015) were prudent to credit all positive effects to ASs, because if opponents can eventually challenge the positive effects, "long-term consequences of activism provide no basis for calls to limit the influence of activism and to insulate boards from such influence" (p. 1119). Additionally, "stock pickers who successfully bet on future improvements might not deserve a medal, but they do not warrant opposition and resistance" (Bebchuck et al., 2015, p. 1119).

The debate on the causality of activism and positive abnormal returns is still open, as the quantitative data from all studies are subject to discussion, and as the underperforming companies targeted by ASs tend to close performance gaps to the mean over time (Coffee & Palia, 2016). Assuming that there is a consensus trend in the literature that an AS provides a short- and long-term abnormal return, despite the open debate, the question for this study is where the added value comes from. The review will look for data in the operating performances, potential wealth transfers, and the analysts' ratings of the target companies.

Operating Performance. Regarding operating performance, the literature mainly focuses on the key performance indicators (KPIs) defined as Tobin's Q and return on assets (ROA). *Tobin's Q* is the most commonly used financial indicator used by researchers or analysts to measure the capability of the governance to value a book of assets into market value (Bebchuck et al., 2015). *ROA* is the ratio of earnings before interest, taxes, depreciation, and amortization to the total value of assets. This KPI is also widely used by the financial community to assess the operating performance of a firm (Bebchuck et al., 2015).

The literature on the impact of ASs on the operating performance of target companies also shows mixed results (Coffee & Palia, 2016). Clifford (2008) found that target companies face ROA improvements for the three years following an activist event, by 0.88% on average, compared to companies targeted by passive shareholders. This low statistical difference is corroborated by the fact that this ROA improvement is mainly due to the reduction of assets and not an increase in cashflow. Indeed, the study finds a decrease in earnings before interest, taxes, depreciation, and amortization (EBITDA) and cash performance for the target companies and no payout improvements for the three years following an activist event. As a conclusion, Clifford stated that "attributing an increase in operating performance to activism can prove quite difficult" (p. 331). Similar results were highlighted by Klein and Zur (2009), who did not find statistical improvements of the ROA versus controlled samples of companies and confirmed a drop in EBITDA following the four quarters after an activist event. DeHaan et al. (2018) found no evidence of improvement in the ROA of target companies up to five years after an activist event. Allaire and Dauphin (2015) found a relatively low effect of an AS event on ROA. Indeed, their study demonstrated that ROA improved slightly after an activist action, but there was no positive effect compared to a random sample of companies. Even more, depending on the market capitalization of the target company, impact on ROA could be positive or negative, without any logical trend for small, medium, or big sizes. Regarding Tobin's Q, Allaire and Dauphin (2015) found no positive effect versus the random sample of companies until two years after the activist event. After year two, the Tobin's Q of target companies catches up with the random sample, but does not surpass it with statistical significance. The reason for the positive catch-up is that this improvement comes from reducing asset value, which means a reduction of capital expenditure, sale of assets, or share buybacks instead of creating additional profit. A study by S&P Capital IQ found that "targeted companies reduced capital expenditures in the five years after activists bought their shares to 29% of operating cash flow from 42% the year before" (Monga et al., 2015, as cited in Coffee & Palia, 2016, p. 61). Similar findings of neutral Tobin's Q effect from activist events are found in the studies of Klein and Zur (2009) and Goodwin (2015). Focusing on the impact on R&D spending of target companies, the literature shows it to be an open debate. Many studies identified cuts in R&D spending after activist events. Allaire and Dauphin (2015) found a drop of 50% of R&D budgets as a percentage of sales, from 17.34% to 8.12% in a five-year span. They also confirmed the drop in R&D expenses as being due to the activist event in another study, but with a recovery of the previous level of spending after two years. This reduction of R&D spending was confirmed by Brav et al. (2015) during the five years following an activist event. In some cases, like technological target companies, this observation is balanced because the level of patents or citations is not affected by the R&D budget reduction. They highlighted the consequence that, for these specific cases of technological companies, the shrink in R&D expenses was accompanied by a focus and efficiencies in allocating the budget. As seen before, Bebchuck et al. (2015) also supported the fact that there is a drop in R&D spending after an activist event. Still, there is no evidence that this investment limiting in R&D jeopardizes a company's performance in the long term. DeHaan et al. (2018) found little evidence of impact on R&D spending from activism.

Other studies supported the positive effects of ASs on financial operating metrics. Brav et al. (2008) found improvements in ROA after the event year for the following two years, but they noted that the company had a lower performance in the event year than in the previous two years. This means that the ROA was back to previous performances. Bebchuk (2013) and Bebchuk et al. (2015) also found positive developments of ROA for the five years following an activist event, comparing target companies with a random sample and the average, industry-adjusted ROA. In terms of Tobin's Q performance, this same study found similar positive effects for up to five years after an activist event. The outcomes of these two studies, following the positive findings on operating performances, were positioned by the authors as a legitimate proof for policymakers and institutional investors to not consider ASs negative for target companies. But these results were challenged by Allaire and Dauphin (2014, 2015) and Coffee and Palia (2016). Indeed, they criticized the data used by their colleagues, such as the difference in the number of company samples from the study methodology to the observations without explanations or dummy variables to justify causality. Additionally, in general, mixing too many activist events with too many involved companies dilutes the precision of understanding the phenomena. According to Allaire and Dauphin (2015), “the very different profiles of firms in each quintile in terms of operating performance (ROA, ROE, Tobin’s Q) or stock market performance mean that mixing all of them to come up with some general conclusion is very hazardous” (p. 287). But they specifically challenged the interpretations of the results, which were significantly positive in terms of operating performance statistics (as the difference was not zero), “but are they significant from a managerial or investment perspective?” (Allaire & Dauphin, 2014, p. 9). These studies were all quantitative research studies, which looked at the complex phenomena of ASs only with econometric lenses. This econometric focus is a limitation of the work of Bebchuk (2013) and Bebchuk et al. (2015) and should be carefully considered by policymakers and institutional investors (Allaire & Dauphin, 2014, 2015). Allaire and Dauphin (2015) summarized the complexity of getting an absolute answer on the positive or negative impacts of ASs, as

> the varying objectives and tactics of hedge funds and the distinctive profiles of targeted firms result in several different clusters of activism, which, when merged, make it nary impossible to understand the consequences and performance of this form of activism. Studies mixing many instances of activism across a long period of time are bound to produce misleading results. (p. 304)

The open debate whether operating performances are improved by activists does not provide strong evidence of the causality of wealth creation. The consensus on the average improvement on stock return opens the discussion about the origin of the wealth transferred to the increased stock return.

Wealth Transfers. The literature has identified two primary sources of wealth transfer in favor of ASs. The first one is the wealth transfer from bondholders to shareholders. Klein and Zur (2011) found significant positive abnormal returns around the 13D filing in favor of shareholders, as previously discussed. However, they also identified a significant negative abnormal return to bondholders at the same time. This observation is valid for short- and long-term returns (-3.9% excess bond return around the filing date and -6.4% after one year). The authors defined this wealth transfer as "expropriation." In terms of scale, the study shows that in the short term, from a quarter to a half of the abnormal return for shareholders is taken from bondholders, and in the long term, up to one third goes to shareholders from bondholders. Additionally, 29% of the bonds are downgraded during the year after the 13d filing date, instead of 13% for a control sample of bonds. Similar findings by Jory et al. (2016) supported this wealth transfer from bondholders to shareholders, wherein "bondholders perceive activists' actions as unfavorable to their long-term interests" by moving payouts to shareholders with increased dividends instead of remunerating bonds (p. 343).

The second source of transfer is from employees to shareholders. Brav et al. (2013) demonstrated that employees of targeted firms face a reduction in working hours by 10% relative to their peers and stagnation in working hours despite increased productivity. The causality between the activist event and the observed impact on employees is proven by the study, especially with the finding of the same outcomes when a passive hedge fund becomes active. Allaire and Dauphin (2015) supported the same trend for employees involved in a target company by an activist. According to their study, companies targeted by activists had decreased their staff by 3% over five years, while the random sample had increased it by 14.5%.

Table 6: Literature Summary of Whether Activist Shareholders Are Creating Value

Author(s)	Year	Findings
Allaire & Dauphin	2015	• The study by Bebchuk et al. (2015) should be carefully considered. • Studies mixing many activist events produce misleading results. • Statistical relevance does not automatically mean management and investment relevance. • There is no evidence of Tobin's Q improvement after an activist event. • Activism produces a low effect on ROA. • The attribution of positive abnormal returns to activists is questionable. • Abnormal returns depend on the outcomes obtained by the activists. • Activism reduces employment.
Bebchuk	2013	• Activism improves ROA.
Bebchuck et al.	2015	• Activism creates positive abnormal returns. • Credit to activists for positive abnormal returns requires prudence. • Activism improves ROA.
Becht et al.	2017	• Positive abnormal returns are linked to multiple outcomes.
Becht et al.	2009	• On average, activism creates positive abnormal returns in the short and long-term. • Negative abnormal returns are found in 28.3% of target companies.
Brav et al.	2013	• Target firms reduced working hours by 10%.
Brav et al.	2015	• Activism reduces R&D.
Brav et al.	2008	• On average, activism creates positive abnormal returns in the short and long-term. • Negative abnormal returns are found in 38% of target companies. • Activism improves ROA back to previous performance.
Clifford	2008	• On average, activism creates positive abnormal returns in the short and long-term. • Negative abnormal returns are found in 37.2% of target companies. • Activism improves ROA at a low level. • ROA improvements are due to asset reductions. • There is no evidence that activism improves operating performance.
Coffee & Palia	2016	• The effects on abnormal returns are not statistically relevant. • The literature shows mixed results on operating performance.

		The study from Bebchuk et al. (2013) should be taken taken carefully. • Studies mixing many activist events produce misleading results.
deHaan et al.	2018	• There is no evidence that activism improves ROA. • There is little evidence that activism affects R&D spending.
Fos	2017	• On average, activism creates positive abnormal returns in the short and long term.
Goodwin	2015	• Activism has a neutral effect on Tobin's Q.
Jory et al.	2016	• Activism transfers wealth from bondholders to shareholders.
Klein & Zur	2009, 2011	• On average, activism creates positive abnormal returns in the short and long term. • Negative abnormal returns are found in 25% of target companies. • Activism has a neutral effect on Tobin's Q. • There is no evidence that activism improves operating performance. • Activism transfers wealth from bondholders to shareholders.
Krishnan et al.	2015	• On average, activism creates positive abnormal returns in the short and long term.
Swanson & Young	2017	• On average, activism creates positive abnormal returns in the short and long term.

Are All Activist Shareholders Performing Equally During an Activist Event?

As we have seen already, there is no legal definition of a hedge fund. However, the 13D filing obligation in the United States, or the official disclosing of shares' purchase with its purpose in Europe, concretely defines an investor's activism. As previously mentioned, different studies have classified an AS's actors and mapped their way of acting toward a target firm. Krishnan et al. (2015) classified activist hedge funds into two categories: most active hedge funds and top investor hedge funds. *Most active hedge funds* were those that had acted as activists at least 10 times during the sample period between 2008 and 2014. Only 16 hedge funds out of 578 reached the threshold of 10 actions as activists. The study found that the abnormal return of a stock in a 21-day period window around the activist announcement is lower for most active hedge funds than for least active hedge funds. The high frequency of events is not correlated to higher abnormal stock returns around the event, which is the opposite. *Top hedge funds* were defined as the ranking of activists by the aggregate value invested between 2008 and 2014. In the study, the first top hedge fund was Carl Icahn with an aggregate value of US$16.4 billion, and the 10th in the ranking was GAMCO with US$2.1 billion. The findings were that short-term abnormal returns are significantly higher with top investor hedge funds than with low investors (2.31% positive difference) in a 21-day window around the activist event. It demonstrated that the market was more confident about positive returns with top investor hedge funds than with other hedge funds. The study also showed that top investor hedge funds created improvements on ROA for the four quarters after an activist event on operating performance. The authors recognized that big investors have, by their very nature, a broader range of possibilities of target companies. Consequently, their selections have better perspectives than those of target companies selected by lower investors. Complementary to this, Boyson and Mooradian (2010) highlighted that ASs that practice intense activism get higher returns and operating performances from the target company than those practicing light activism. Four variables define characteristics of intense activism: the motivations beyond the investment, like provoking a merger; requests for governance changes and board seats or encouraging of buybacks; the method used to get access to stocks and the quantities of securities acquired; and whether or not warrants were purchased in the target company. The study measured the level of activism for each variable and compared the intensity of activism with stock returns and operating performances. The study clearly stated that for short-term abnormal returns in a 25-day window around the activist event, intense activism delivered a 10.85% performance versus the reference samples, instead of 4.87% for all target companies with all types of intensity. For long-term operating performances measured by ROA, the authors found the same positive difference in favor of intense activism (12.59% ROA improvement versus

3.92%) up to three years after the event. Additionally, Boyson and Mooradian (2012) identified a performance difference for experienced and inexperienced activist hedge funds. The experience was measured by the background of the fund manager, the frequency of activist events, and by the minimum at "24 months of consecutive returns and average annual fund size of at least $10 million during the period January 1994 to December 2005" (p. 8). The study showed that highly experienced activist hedge funds delivered significantly better short- and long-term abnormal returns as well as significantly better operating performances (ROA) on the target company than inexperienced activist hedge funds.

According to the literature, there are disparities in performance for the target firms among activist hedge funds. The profile for a high-performing activist combines a high level of investments, intense or aggressive activism, and high experience. Black et al. (2020) ranked the 2019 activist hedge funds according to the level of investments, the frequency of activist events, and the overall performance of their activist engagements. They listed hedge fund companies like Elliott Management, Starboard Value, Third Point LLC, and Carl Icahn.

Table 7: Literature Summary of Equal Performance of Activist Shareholders During Activist Events

Author(s)	**Year**	**Findings**
Boyson & Mooradian	2010, 2012	• Intense activism gets higher returns and a higher operating performance. • Experienced activists get higher returns and a higher operating performance.
Krishnan et al.	2015	• Activists are categorized as the top or most active investors. • Short-term abnormal returns are lower with the most active investors than with the least active ones. • Short-term abnormal returns are higher with top investors than with small investors. • Top investors create a positive impact on ROA.

What Are the Effects of ASs at Non-Target Companies?

Several studies have examined how the phenomenon of ASs also affects non-target firms due to the potential threat of being targeted. Zhu (2013) found that potential target companies, modelized by the Mutual Fund Fire Sales (Edmans et al., 2012, as cited in Zhu, 2013), act proactively to reduce the likelihood of being targeted. Indeed, a potential target company builds proactive responses by reducing the CEO's salary, reducing capital investment and R&D spending, and increasing shareholder payout returns. Similar effects were found by Fos (2017) and Ganchev et al. (2018) using different methodologies.

Table 8: Literature Summary of the Effects of ASs at Non-Target Companies

Author(s)	**Year**	**Findings**
Fos	2017	• Activism also creates momentum for non-target companies
Ganchev et al.	2018	• Activism also creates momentum for non-target companies.
Zhu	2013	• Potential activists act proactively to reduce the likelihood of being targeted.

Are Activist Shareholders Expanding Their Scope of Action?

Many institutional investors increasingly engage firms to improve their agenda on environmental, social, and governance (ESG) issues (Gelter & Puaschunder, 2021; Grewal et al., 2016). Mutual funds like BlackRock or Vanguard have been publicly asking the management of the companies in which they hold stocks to work concretely on various ESG targets (Briere et al., 2018; Coffee, 2017; Pollman, 2019). In 2018, 43% of the proposals submitted by shareholders in the United States were related to ESG issues (Mueller et al., 2018). In the 2021 Activist Investing Annual Review (Sherratt, 2021), all hedge fund managers related the growing importance of ESG in activist campaigns. For example, Lauren Gojkovich, a managing director at PJT Camberview, stated that

> another key dynamic is that ESG is now a driving force in asset flows, stewardship, and increased activism, with impacts for companies and activists alike. Being able to engage effectively on how ESG is tied into your business strategy will be mission-critical for companies in the coming year and beyond. (p. 13)

Overall, shareholder activism on ESG done by hedge funds or institutional investors has more than doubled in the last two decades (Grewal et al., 2016). In the same study, Grewal et al. (2016) correlated the ESG shareholder activism requests to Tobin's Q performances. ESG activism is categorized into material and immaterial issues, following the standards of the Sustainability Accounting Standards Board (SASB). Activism on immaterial issues was followed by a decrease in Tobin's Q performance of the target companies in the five years after the proposals. That was followed by a significant increase in Tobin's Q for the same five years for material issues proposals. On the contrary, activism on immaterial issues was found to improve the operating performance of targeted companies. This is because managers of the target company would instead satisfy the AS with an immaterial ESG proposal rather than other types of requests, reducing agency costs. In terms of ESG issue performances, the study demonstrated that shareholder proposals are for both material and immaterial issues, followed by improvement on ESG performances.

Table 9: Literature Summary on Expansion of AS Scope of Action

Author(s)	Year	Findings
Briere et al.	2018	• Mutual funds increasingly do activism on ESG.
Coffee	2017	• Mutual funds increasingly do activism on ESG.
Gelter & Puaschunder	2021	• Many institutional investors increasingly engage firms to improve their agenda on ESG issues.
Grewal et al.	2016	• Many institutional investors increasingly engage firms to improve their agenda on ESG issues. • Activism on ESG by hedge funds or institutional investors has more than doubled in the last two decades.
Mueller et al.	2018	• In 2018, 43% of the proposals submitted by shareholders in the United States were related to ESG issues.
Pollman	2019	• Mutual funds increasingly do activism on ESG.

Activism With COVID-19

Shareholder activism was strongly affected by COVID-19 on the stock exchange in the first quarter of 2021. Activism was less aggressive and faced more robust responses from target companies' management. The total number of activist events decreased by 10% in 2020 compared to 2019 due to the poison pills that potential target companies put in place, being afraid of the opportunity given by the temporal depression of stock markets (Booth, 2021). This decrease of events is also due to the logistical difficulty for ASs to convince other investors to pursue a proxy context in virtual shareholder meetings (Gottfried, 2020). Additionally, the same paper highlights the overall uncertainty context that would challenge the credibility of a potential activist's event.

The outlook for 2021 predicts that AS aggressiveness will be back, as many firms did not take advantage of the pandemic times and have disclosed structural weaknesses. As a consequence, ASs will increase the pressure on management teams for turnover as well as on M&A. (Booth, 2021; Gottfried, 2020). Moreover, it remains very attractive for institutional investors to follow activist hedge funds' events with the very accommodating monetary policy (Gottfried, 2020).

Table 10: Literature Summary on AS With COVID-19

Author(s)	**Year**	**Findings**
Booth	2021	• Activist events decreased by 10% in 2020 compared to 2019. • Companies have built responses and poison pills to protect themselves against the stock depression attraction. • The year 2021 will see more aggressive activist events.
Gottfried	2020	• The year 2021 will see more aggressive activist events.

Chapter 3: Theoretical Framework

Economist George Akerlof (1970, as cited in Auronen, 2003) theorized that there is an asymmetric information between buyers and sellers, which leads to wrong valuations of transactions. According to the theory, the asymmetry can be reduced by counteracting institutions. This study will evaluate potential information asymmetry between ASs, boards of directors, and institutional investors of the selected companies and how counteracting institutions influences the flow of information.

This study will also be supported by agency theory, referring to the study of Ross and Mitnick (1973), which highlights the divergence of interests between companies' shareholders and managers. Also considered is the work of Jensen and Meckling (1976), who characterized the importance of incentivization and the quality of monitoring under the theory of the firm with agency arrangements. Additionally, Milton Friedman, as the father of stockholder theory, considered that the unique raison d'être of a corporation is to make a profit (as cited in Fontaine et al., 2006). In 1970, he wrote, "there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it. . . . [engages] in open and free competition without deception or fraud" (as cited in Fontaine et al., 2006, p. 30)

Freeman (1984) built a framework for managers to deal with an unprecedented volatile and changing world. To respond to this new environment, in the interest of corporations and managers, he built a framework of stakeholder considerations as a new way to create value. This stakeholder theory offers a more balanced distribution of benefits, from shareholders to customers, employees, suppliers, and the local community (Smith, 2003).

Both stockholder and stakeholder theories are subject to interpretation. Indeed, managers could argue that order to stick to stockholder theory in the long term, stakeholders should not be ignored and should be considered to sustain profit. Equally, managers could defend their promotion of stakeholder theory by explaining that it creates stable profit making for shareholders so as to ensure their investments in the long term (Smith, 2003). Stockholder and stakeholder theories diverge and converge, depending on the company and management context and on the interpretation.

In this study, these two theories provide the framework for understanding ASs' and target companies' interactions, communications, and interests. Guided by these four theories, I formulated the following research questions for the study:

Research Question 1: What are the causal factors of the interest of activist shareholders in these target companies?

Research Question 2: What are the effects of the activist shareholders' interest on these companies' organizations?

Research Question 3: How do the financials of these target companies behave after an activist event?

Research Question 4: What are the mid-and long-term consequence scenarios for these companies?

Chapter 4: Research Design and Method

Research Design

The research will be divided into four parts based on the research questions:

Research Question 1: What are the causal factors of the presence of activist shareholders on these target companies?

The methodology selected for this part was qualitative case studies, as a case study allows for an in-depth understanding of a single contextual case (Yin, 2003). In this case, the case studies are on Nestlé, Danone, and Unilever. The data collection focused on the following main categories:

- official communication statements of the companies and of the ASs,
- annual reports of the companies,
- financial statements of the companies, and
- relevant literature.

Compared to peers' companies, the financial performances focus on the total shareholder return (TSR), ROA, and Tobin's Q. The literature mainly focused on stock returns, but ASs are more familiar with TSR. As the difference between stock returns and TSR is only the addition of the aggregated dividends to the stock returns, it does not deviate from evaluating the behavior of the stock value. For the study, *ROA* is defined as operating profit or earnings before interest and taxes (EBIT) divided by total assets, and *Tobin's Q* is defined as the enterprise value divided by the capital employed. *Enterprise value* is the sum of the market capitalization and the net debt.

The peer companies were selected by combining four variables: being stock listed, being part of the top 20 food and consumer goods companies worldwide, being in comparable food categories, and being considered as peers by the activist's industry. Thus, the peer companies selected were Reckitt Benckiser, PepsiCo, Mondelez, and Kraft Heinz. These companies might not be totally comparable to Nestlé, Danone or Unilever in terms of business categories, but they are considered as peers by ASs.

Research Question 2: What are the effects of the activist shareholders' interest on these companies' organizations?

The methodology selected for this question was also qualitative case studies, with the same reasoning as for the first question. The data collection focused on three main categories:

- annual reports of the companies;
- official communications of the companies and of the activists; and
- transcripts, press interviews, and quarterly and annual results reviews.

Research Question 3: How do the financials of these target companies behave after an activist event?

The methodology selected for this question was a quantitative study. The research consisted of analyzing the financial data of the selected companies, which drives it naturally to the quantitative method (Harkiolakis, 2017). The research design is descriptive, non-experimental, and longitudinal. The financial reports of the target companies were used to collect data. Focusing on these variables:

- financial KPIs,
- whether AS pressure exists or not, and
- a timeframe from 2010 to 2020.

The sampling method is purposive for the last 10 years. The financial KPIs selected were ROA, Tobin's Q, and abnormal stock returns, as they are the most significantly used by financial economists and the most informative about firms' performances (Bebchuk et al., 2015). The statistical analyses performed by the study were standard deviation and correlation calculations to identify the effect of the presence of AS pressure on the financial KPIs. Data were analyzed with SPSS (Rea & Parker, 2014).

Research Question 4: What are the mid-and long-term consequence scenarios for these companies?

The methodology selected for this final research question was also qualitative case studies. The data collection focused on three main categories:

- annual reports of the companies;
- official communications of the companies and of the activists; and
- transcripts, press interviews, and quarterly and annual results reviews.

Additionally, we introduce the concept of expected free-cash flow growth embedded in the Tobin's Q. This concept consists of evaluating the market value's current or future performances. Technically, the *expected free-cash flow growth* (g) is defined as follows:

$$g = \frac{\text{Tobin's Q x WACC} - \text{ROCE x } (1 - \text{Tax ratio})}{\text{Tobin's Q} - 1}$$

The study will use this *g* KPI to evaluate the credibility the companies' management have for the investors to continuously grow the free-cash flow.

Trustworthiness

The credibility of the research was built through well-established protocols of data collection. Triangulation was done between public information, the literature, and the theoretical framework to support the findings. Nestlé, Danone, and Unilever are worldwide leaders in the food and consumer industries, and they are considered frontrunners and benchmarks for their competitors. The ambition of the study is not to transfer the findings to other corporations. However, due to the natural totem effect of Nestlé, Danone, and Unilever, it will automatically provoke the discussion to move the results to the competitive landscape.

The transferability will be then subject to the limitations of the uniqueness of Nestlé, Danone, Unilever, and their environments.

Data Analysis

This study focused on two of Yin's (2018) five analytic techniques for the qualitative parts:

- *Pattern matching:* This technique allowed for the comparison of the theoretical framework, agency, asymmetric information, and stockholder and stakeholder theories, and its predictable implications for the cases, with the findings of the cases.
- *Logic model:* According to Yin (2018), "the logic model may be considered as another form of pattern matching" (p. 88). Considering this additional analytic technique, the added value is to identify causality effect patterns, matching a theoretically predicted event. In this case, each observed fact is a logical outcome of the previous one, to end up with a final result.

Using both techniques allows for a complete analysis, combining the matching of independent and interconnected events and observations into the theoretical framework. For the quantitative part, the research analyzed the financial data of the selected companies, which drives it naturally to the quantitative method (Harkiolakis, 2017). The research design is descriptive, non-experimental, and longitudinal. The financial reports of the target companies were used to collect data. Focusing on these variables:

- stock return KPIs, such as total shareholder returns and abnormal returns;
- operating KPIs, such as return on assets and Tobin's Q;
- whether AS pressure exists or does not; and
- a timeframe from 2010 to 2020.

The sampling method was purposive for the last 11 years. The statistical analysis was a correlation calculation to identify the effects of the presence of AS pressure on the financial KPIs.

Chapter 5: Findings

Research Question 1: What Are the Causal Factors of the Interest of Activist Shareholders in These Targeted Companies?

As seen in the literature review, target companies have specific characteristics such as showing lower stock returns, temporarily lower operating performances, agency problems, and being more protected against hostile takeovers than benchmark peers. In this part, the study uses the qualitative methodology described in Chapter 4.

Nestlé

Financials. Third Point LLC, a New York-based activist hedge fund, acquired 1.29% of the shares of Nestlé on June 25, 2017. As an AS, they published a letter explaining their expectations of Nestlé's management (see Appendix A). The justification for their investment was that the TSR, which includes the stock return and the dividends paid, was significantly below the competition (see Figure 1) on a one-to-ten-year period, and by unlocking identified levers, the company should be able to close the gap versus its peers. These levers, according to the activist, were:

- margin target improvements,
- capital return,
- portfolio adjustment (sale of less-performing brands), and
- sale of L'Oréal shares.

Nestlé – Danone – Reckitt Benckiser – Unilever – Kraft Heinz – Mondelez – PepsiCo

Figure 1a. Three-year TSR in 2017 (harmonized in USD). From Thomson Reuters Eikon.

Figure 1b. Five-year TSR in 2017 (harmonized in USD)

Figure 1c. Ten-year TSR in 2017 (harmonized in USD)

Indeed, the TSR on three years, five years, and 10 years showed in 2017 a lower performance versus direct competitors like Mondelez, PepsiCo, or Reckitt Benckiser, which increased the power of attraction of potential activists. This observation is consistent with the literature.

Regarding operating performance, illustrated by ROA in Figure 2, there is a consistent decrease during the years prior to the activist event in 2017, with a low point in 2016. This is also in line with the literature, which demonstrates that when there is a drop in ROA, it increases the possibility of being targeted. There was an even lower ROA performance during the year of the activist event, which will be analyzed for the next question.

ROA	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Kraft Heinz	NA	NA	7.34	11.72	4.53	0.87%	2.95%	9.10%	(9,12%)	1.88%	0.35%
Pepsico	11.70%	9.14%	8.38%	8.85%	8.80%	7.78%	8.84%	6.34%	15.98%	9.37%	8.30%
Reckitt Benckiser	13.92%	13.17%	12.52%	11.03%	21.64%	11.41%	11.09%	21.96%	5.84%	-10.42%	3.59%
Mondelez	5.08%	3.68%	3.62%	5.32%	3.08%	11.17%	2.60%	4.48%	5.23%	6.18%	5.37%
Unilever	11.83%	11.16%	11.23%	12.03%	9.56%	9.56%	9.66%	10.88%	15.88%	9.56%	8.11%
Nestle	8.10%	8.70%	8.90%	8.50%	11.70%	7.40%	6.90%	5.70%	7.80%	9.70%	9.86%
Danone	6.90%	6.29%	5.67%	4.63%	3.66%	3.83%	4.63%	5.55%	5.35%	4.26%	4.06%

Annualized Values

Figure 2. ROA performances from 2010 to 2020. Note: *Based on companies' annual reports, 2010–2020.*

In terms of Tobin's Q, when Third Point LLC acquired the 1.29% stake, the Tobin's Q had a ratio of 3.0, based on 2016 financial closing figures (see Figure 3). There was a relatively flat performance of the Tobin's Q for the previous six years, with no lower performance in the year of the activist event. In this case, this observation does not follow the literature, as previous research highlighted the fact that a temporary drop of Tobin's Q significantly increases the potential for targeting. In this case, Nestlé's Tobin's Q did not play a role. Regarding the financial KPIs of Nestlé in 2017, the underperformance in terms of TSR and ROA clearly stimulated and justified the approach of activist Third Point LLC.

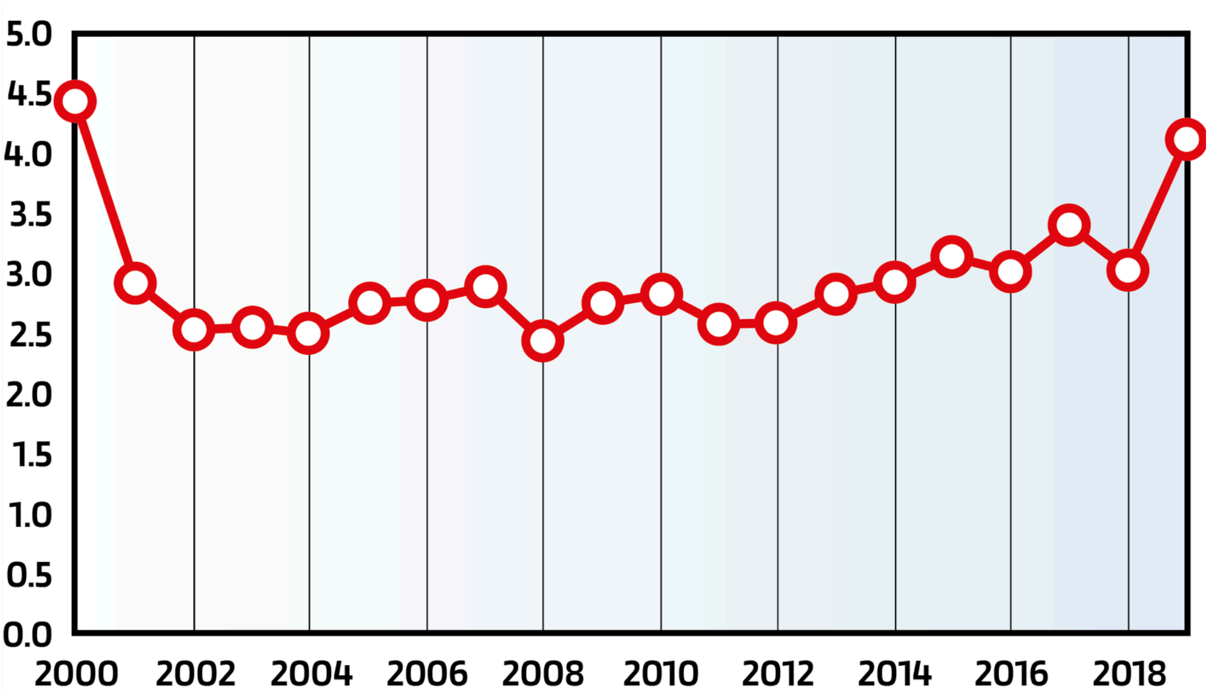


Figure 3. Nestlé's Tobin's Q, 2000–2020. Note: *Based on Nestlé's annual reports, 2000–2020.*

Shareholder Structure and Governance. In June 2017, before the activist event, Nestlé's shareholder structure was fragmented and dominated by Swiss and American institutional shareholders and the Norwegian sovereign fund (see Figure 4). The company's biggest shareholders were BlackRock with 4.57% of the shares, the Norwegian sovereign fund with 2.65% of shares, and Vanguard Group with 2.36% of shares. No other shareholders were holding more than 2% of shares. With an average market capitalization of US$230 billion in the first half of 2017, a potential hostile takeover was very unlikely.

Shareholders History Report #	% Outstanding 30/06/2017	Investor Name	Investor Type	Investor Sub-Type	Country
1	4.57%	BlackRock Institutional Trust Company, N.A.	Investment Managers	Investment Advisor	United States
2	2.65%	Norges Bank Investment Management (NBIM)	Investment Managers	Sovereign Wealth Fund	Norway
3	2.36%	The Vanguard Group, Inc.	Investment Managers	Investment Advisor/Hedge Fund	United States
4	1.71%	UBS Asset Management (Switzerland)	Investment Managers	Investment Advisor	Switzerland
5	2.60%	Capital Research Global Investors	Investment Managers	Investment Advisor	United States
6	1.49%	Credit Suisse Asset Management	Investment Managers	Investment Advisor/Hedge Fund	Switzerland
7	1.64%	MFS Investment Management	Investment Managers	Investment Advisor/Hedge Fund	United States
8	0.58%	DWS Investment GmbH	Investment Managers	Investment Advisor/Hedge Fund	Germany
9	0.64%	Fidelity Management & Research Company LLC	Investment Managers	Investment Advisor	United States
10	0.83%	Capital World Investors	Investment Managers	Investment Advisor	United States
11	0.53%	Pictet Asset Management Ltd.	Investment Managers	Investment Advisor/Hedge Fund	United Kingdom
12	0.24%	Morgan Stanley Investment Management Ltd. (UK)	Investment Managers	Investment Advisor	United Kingdom
13	0.38%	First Eagle Investment Management, L.L.C.	Investment Managers	Investment Advisor/Hedge Fund	United States
14	0.27%	Fidelity International	Investment Managers	Investment Advisor	United Kingdom
15	0.22%	Marathon Asset Management LLP	Investment Managers	Investment Advisor	United Kingdom
16	0.29%	Flossbach von Storch AG	Investment Managers	Investment Advisor	Germany
17	0.26%	California Public Employees' Retirement System	Investment Managers	Pension Fund	United States
18	0.35%	Capital International Investors	Investment Managers	Investment Advisor	United States
19	0.76%	Zürcher Kantonalbank (Asset Management)	Investment Managers	Bank and Trust	Switzerland
20	0.33%	BlackRock Advisors (UK) Limited	Investment Managers	Investment Advisor/Hedge Fund	United Kingdom
21	0%	CPP Investment Board	Investment Managers	Sovereign Wealth Fund	Canada
22	0.29%	APG Asset Management N.V.	Investment Managers	Pension Fund	Netherlands
23	0.22%	Nuveen LLC	Investment Managers	Pension Fund	United States
24	0.25%	Caisse de Depot et Placement du Quebec	Investment Managers	Pension Fund	Canada
25	0.25%	MFS International (U.K.) Limited	Investment Managers	Investment Advisor	United Kingdom
26	0.55%	BlackRock Investment Management (UK) Ltd.	Investment Managers	Investment Advisor/Hedge Fund	United Kingdom
27	0.21%	Artisan Partners Limited Partnership	Investment Managers	Investment Advisor	United States
28	0.17%	Schroder Investment Management Ltd. (SIM)	Investment Managers	Investment Advisor/Hedge Fund	United Kingdom
29	0.22%	T. Rowe Price Associates, Inc.	Investment Managers	Investment Advisor	United States
30	0.25%	Janus Henderson Investors	Investment Managers	Investment Advisor/Hedge Fund	United Kingdom

Figure 4. Nestlé shareholders. From Thomson Reuters Eikon.

In 2017, the board of directors was composed of 14 members, including CEO Mark Schneider and former CEO Paul Bulcke, who was board chair. With these two exceptions, none of the directors had expertise or experience in the food or the nutrition industry (see Appendix B). Nor did any of the directors represent an institutional shareholder. Schneider was appointed CEO in June 2016, under Bulcke's recommendation.

Why did the existing shareholders or board of directors not do activism, which was justified by the low TSR and ROA performances before Third Point LLC stepped in? First, the shareholders were mainly institutional investors, which are not skilled in activism. Second, the biggest shareholders were the mutual funds, BlackRock and Vanguard Group. As seen in the literature review, mutual funds respond to the concept of "too big to be activists." Due to their size and the diversity of their investment portfolios, they rarely act as activists to protect their reputations and avoid adverse effects on collateral investments connected to target companies. Third, as already mentioned, the board of directors was not skilled, in terms of experience nor expertise, to challenge the entire strategy of Nestlé. This problem was clearly highlighted by Third Point, which proposed assistance to the board of directors with a "golden leash," Jan Bennink (see Appendix A). A *golden leash* is a senior business expert who assists an activist with their experience to address the requests to the target company. A golden leash provides expertise and credibility to the AS. One director, Andreas Koopmann, who has served as a director at Nestlé since 2003 and at Credit Suisse from 2009 to 2019, could have potentially guided and acted as a change catalyzer, facing the reality of the TSR and ROA benchmarks. The mandates at Credit Suisse (Credit Suisse Board of Directors, 2021) could have provided him all relevant information needed for the situation at Nestlé. However, Credit Suisse was consistently contracted by Nestlé for the consequent program of share buybacks, at least from 2009 (see Appendix C). Furthermore, between 2010 and 2020, Credit Suisse was appointed as financial advisor for significant acquisitions or divestments (considered here only for a value above €100 million), for a total of six transactions, with a cumulative value of €36 billion, which leads to natural conflicts of interest (see Appendix D). Henri de Castries, a director at Nestlé since 2012, former CEO of AXA, and a director for HSBC Holdings, could have also gotten the information and credibility to challenge the company's status quo. But his numerous roles in international organizations (*Faits et documents, nº428*) lead him to be considered an institutional representative, and his reputation management can be compared to that of the mutual funds': "too big to be activists." Consequently, for these two directors, the asymmetric information theory does not apply to their inactions as they are supposed to get the same level of information as Third Point LLC. As Bonazzi and Islam (2007) noted, "directors who value the opportunity to serve on other boards could have an incentive to establish reputations for not rocking the boat, i.e., for not intensely monitoring the CEO" (p. 5).

Fourth, agency theory helps to understand the relationship between the management and the shareholders of Nestlé. The body of control of the company management, the board of directors, is separate from the firm's ownership, which leads to different interests between the management and the shareholders. In conclusion, Third Point LLC identified the lack of monitoring of the management by existing shareholders and the board of directors of Nestlé to create the momentum to better balance the interests of the shareholders.

Danone

Danone has been confronted with the phenomenon of activism four times between 2012 and 2021. With his fund Trian Partners in November 2012, Nelson Peltz took 1% of Danone and asked for cost cuts, margin improvements, and additional buybacks (Ail, 2012). This event lasted only seven months, and after a stock return of 15%, Trian Partners sold its shares. In 2017, another American AS, Corvex Management, acquired a minority stake (0.8%) without requesting aggressive management changes nor operational or cash returns targets. In early 2021, an activist event from Bluebell Capital, a London-based hedge fund, looked like a more typical aggressive approach, which required a strategic and credible response from Danone regarding the company's weak performances. Indeed, Bluebell Capital confronted the TSR performances with its peers and asked for the current CEO's departure and a change in governance in an official letter to its board of directors (Abboud, 2021a) .The fourth activist event was created by Artisan Partners in February 2021 when it took 3% of

Danone's stakes. Artisan Partners criticized the stock performances in the short- and mid-term and the mismanagement of the leaders of the company in an open letter to the board of directors (O'Keefe & Samra, 2021).

Financials. To evaluate the financial relevance of the activist events, I examined the TSR, ROA, and Tobin's Q of Danone around each activist event. In 2012, the TSR performances of Danone were the weakest among the selected benchmarks (see Figure 5). For the three-year TSR in 2012, Danone performed 13.2% lower than PepsiCo and between 29.2% to 48.2% lower than the rest of the benchmarks. As for the five-year TSR, Danone showed a significant gap compared to its peers, being the unique firm with a negative TSR and performing 87.3% worse than Nestlé.

Regarding the ROA in Figure 2, Danone faced a drop in performance from 6.90% in 2010 and 6.29% in 2011 to 5.67% in 2012. In comparison with peers, except in the case of Mondelez, Danone performed with a significantly lower ROA than all other competitors. These two poor performances of TSR and ROA are causal effects of the activist event of Trian Partners in 2012, which is in line with the literature.

Nestlé – Danone – Reckitt Benckiser – Unilever – Kraft Heinz – Mondelez – PepsiCo

Figure 5a. Three-year TSR in 2012 (harmonized in USD). From Thomson Reuters Eikon.

Figure 5b. Five-year TSR in 2012 (harmonized in USD)

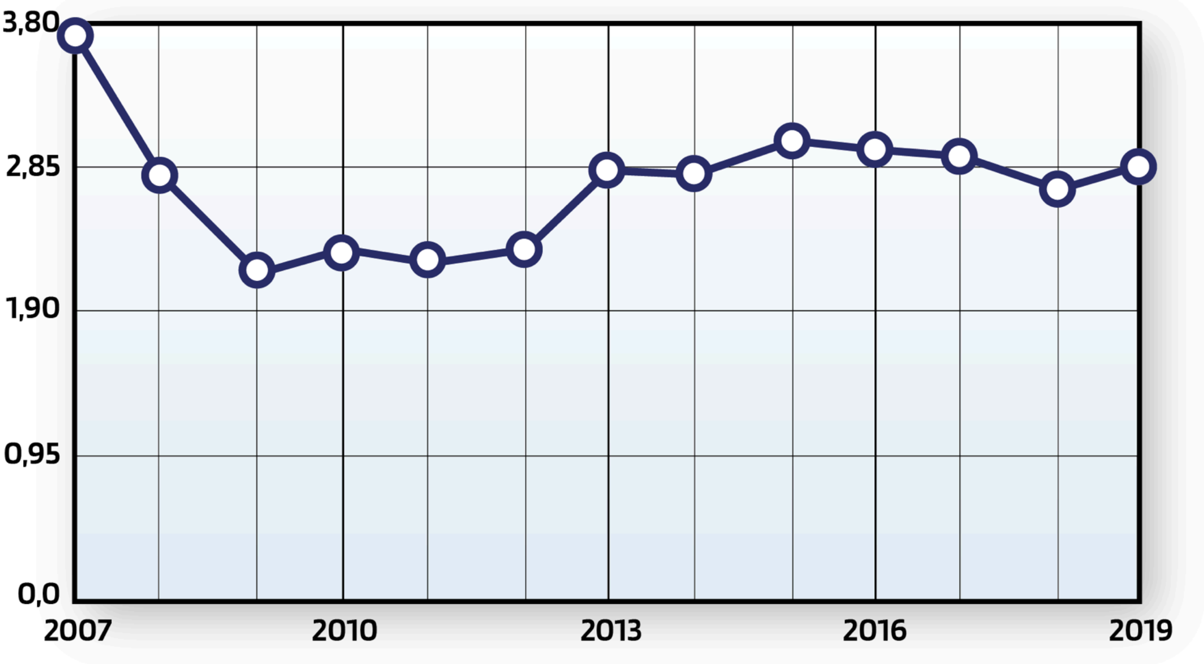


Figure 6. Danone' Tobin's Q, 2007–2019. Note: *Based on Danone's annual reports, 2007–2020.*

In terms of Tobin's Q performance, Danone, with a ratio of 2.5, was in line with the three previous years of performance. There was a drop from 3.75 to 2.25 between 2007 and 2009, but since the activist event took place three years later, it cannot be concluded that the Tobin's Q performance was a catalyst for the action of Trian Partners.

In 2017, for the Corvex Management activist event, the TSR and ROA didn't show better performances than peers (see Figures 1 and 2). Indeed, Danone still showed TSR measures at the bottom of the ranking, at 1.41% for the three-year total return and 14.59% of the five-year total return. Danone had an ROA of 4.63% in 2016, which increased to 5.55% in 2017. It was lower than in 2012 and significantly lower than all competitors, except for

Mondelez. The Tobin’s Q, with a ratio of 3.0, did not show poorer performance in 2017 compared to previous years. In the case of the 2017 activist event, the TSR and ROA performances were indicators of a potential activist event—that of Corvex Management—which is in line with the literature. Again, regarding the Tobin’s Q, the evolution does not show that it played a role in the attractivity of Danone for Corvex Management.

In 2021, the three-year TSR and five-year TSR demonstrated continuous underperformance of Danone compared to peers, except Kraft Heinz due to their 2016 and 2017 restatement accounts and exceptional writeoffs of US$16 billion. The gap in performance toward the top of the rankings, led by Nestlé, had been accelerating over the past three years, especially in 2020, moving from the comparable performance of the five-year TSR trend in 2018 to a gap of 69.54% between both firms. The ROA performance of the end of 2020 also showed a continuous underperformance versus all peers except Mondelez. It showed a negative trend from 5.55% in 2017 to a constant decline to reach a low of 4.06% in 2020.

Nestlé – Danone – Reckitt Benckiser – Unilever – Kraft Heinz – Mondelez – PepsiCo

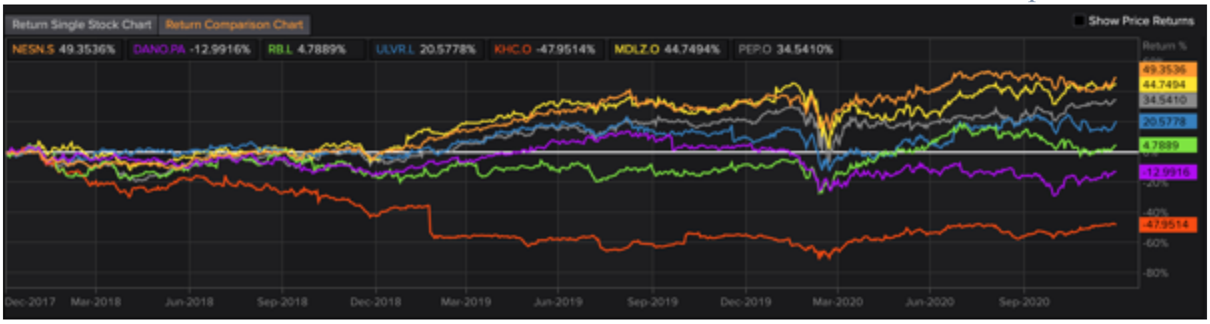


Figure 7a. Three-year TSR (harmonized in USD). From Thomson Reuters Eikon.

Figure 7b. Five-year TSR (harmonized in USD)

Regarding the Tobin's Q, there was a slight decrease from a ratio of 3 in 2018, to 2.83 in 2019. This slight reduction does not seem relevant to the activist action. Still, the gap in comparison with Nestlé, with about a 1-point difference favoring Nestlé, looks to be more relevant for provoking an action. As in 2012 and 2017, the 2021 TSR and ROA poor performances and the acceleration of the negative gap in 2020 of Danone versus its peers made the firm an obvious target for ASs in 2021. This is also in line with the literature by combining structural TSR and ROA underperformances and the additional drop in 2020. The Tobin's Q performances also seem more relevant against a benchmark with Nestlé as additional information for the ASs to act.

In conclusion, Danone's ongoing TSR and ROA weak performances since 2012 have provided openings for continuous AS actions. The 2020 drops in performance accelerated the phenomenon by provoking the actions of two ASs in one month.

Shareholder Structure and Governance. In 2012, Danone had a fragmented capital, with the largest shareholders being institutional investors (see Figure 8). The leading stockholders were the French private equity fund Eurazeo with 2.56% shares, Sofina Group with 2.11%, and Marathon Asset Management with 1.54%. The capital structure was composed of passive investment management firms, such as mutual funds or hedge funds belonging to passive investors like banks. The average market capitalization of Danone in 2012 was about €30 billion, which made the company potentially targetable for a merger or acquisition. Danone's possibility of acquisition is a scenario that has has loomed since the 1990s. A poison pill was put in place in 1987 to dilute the capital in case of a hostile takeover (Jacquet, 1998), and another one was put in place by the French government in 2005, which forbid foreign investors from taking over strategic companies, such as casino owners (Jones, 2005). As the casino of the city of Evian in France belongs to Danone, the decree of

December 31, 2005, signed by Dominique de Villepin to protect companies owning casinos, responded to the rumors of a potential takeover from PepsiCo (Mauduit, 2006).

Why did the existing shareholders or board of directors not do activism, which was justified by the low TSR and ROA performances before the different activists stepped in? In 2012, the board of directors was composed of 14 members (see Appendix E), four of whom had been Danone leaders for many years: Franck Riboud, Emmanuel Faber, Bernard Hours, and Jacques Vincent. The only director with Danone categories' experience was Yoshihiro Kawabata from Yakult Honsha. But Danone was a 20% shareholder of Yakult Honsha, and Danone leaders had director roles at Yakult Honsha for many years (Danone, 2012b). Kawabata can be considered to be a Danone representative on the board of directors. Director Mouna Sepehri was executive vice president of Renault. At the same period in 2012, Riboud was a director on the board of Renault (see Appendix F). JP Morgan Chase had been involved in several financial transactions during 2011 and 2012 for bond issuing and credit facilities (Danone, 2011, 2012b). Even if Danone officially publishes it, Isabelle Seillier, as managing director of JP Morgan Chase group and non-independent board member of Danone, is in a position of monitoring the management of one client. Furthermore, Director Jean Laurent, as chair of Convivio (formerly known as La Fonciere des Regions), was also an independent vice chair of Eurazeo between 2004 and 2017, for which Riboud was an independent member of the supervisory board of Eurazeo between 2001 and 2005 (see Appendix G). During this same period of 2001 to 2005, Eurazeo was already the largest shareholder of Danone, leading to a natural conflict in monitoring of the Danone management by Eurazeo and Laurent during this period and a lack of independence afterward. In the case of Director Richard Goblet D'Alviella, who represents Sofina Group at the board of Danone, Riboud was also a member of the board of directors of the Belgian investment company until 2006 (see Appendix H).

Director Benoit Potier, chair of Air Liquide, belongs to the powerful and exclusive network Le Siècle with Riboud (Ratier, 2011). The presence of Bruno Bonnell on Danone's board of directors is a question mark. Indeed, his track record in Infogrames, a famous French IT specialist at the beginning of 2000, ended up with his ousting from the company after the collapse of its stock value (Vidalon & Michelson, 2007). His knowledge of Danone's categories is absent due to his focus on IT, which ended negatively. The connection to Danone might come from his origins from Lyon, like the Riboud family, and the connections to former Lyon Mayor Gerard Collomb and Jean-Michel Aulas, the president of the local football team, Olympique Lyonnais (Augustin, 2010; Lapoix, 2011) . Both Riboud and Bonnell are close to Collomb and Aulas ("Villeurbanne: Collomb Soutient Finalement Bonnell et Haziza," 2020). Bonnell is a shareholder of Olympique Lyonnais, administrated by Thomas Riboud Seydoux, Riboud's nephew (Olympique Lyonnais Groupe, 2021). The Olympique Lyonnais also organized the Danone football tournament a few times ("6e Edition de la Danone Cup à Lyon," 2005). As Bonnell's professional background does not justify his position at the board of directors, this local connection to Lyon's environment is a potential reason for his assignment. Jean-Michel Severino is a French technocrat (general inspector of finance, director of AFD, and director at Ministry of Cooperation), graduated from ENA ("Jean-Michel Severino," 2004). He is a shareholder and director of Investisseurs & Partenaires (see Appendix I). Danone invested in a fund of Investisseurs & Partenaires for a value of €15 million (De Kerdrel, 2021), (see Appendix J). He also is a director at Phitrust Impact Investors, a minority shareholder of Danone since 2003 (Branche & De Guerre, 2021). He is chair of the Institut d'Étude du Développment Economique et Social Convergences 2015, of which Danone Communities is a financial contributor. He has also been a director at Danone.Communities (see Appendix K).

All of these personal interactions, symmetric board positions, and mutual interests create a situation in which the monitoring body is biased by the connected interests of the directors. It is a zero-sum situation that questions the board's effectiveness in challenging the firm's management to balance the interests of the shareholders and their own personal interests. According to agency theory, the agency problems that can potentially occur from misalignments of interests between shareholders and management lead to "undervaluation, lack of focus, low leverage, and insufficient payouts" (Fos, 2017, p. 15). As seen in the literature, the agency problems are also a cause of shareholder activism. The agency situation at Danone in 2012 was an additional argument for Trian Partners' activist event (see Figure 8).

Shareholders History Report					
#	Investor Name	% Outstanding 31/12/2012	Investor Type	Investor Sub-Type	Country
1	Eurazeo SE	2.56%	Investment Managers	Private Equity	France
2	Capital Research Global Investors	1.41%	Investment Managers	Investment Advisor	United States
3	Sofina and Henex Group	2.11%	Strategic Entities	Corporation	France
4	Marathon Asset Management LLP	1.54%	Investment Managers	Investment Advisor	United Kingdom
5	Danone Employees	1.33%	Strategic Entities	Corporation	France
6	The Vanguard Group, Inc.	0.82%	Investment Managers	Investment Advisor/Mutual Fund	United States
7	Lyxor Asset Management	0.59%	Investment Managers	Investment Advisor/Mutual Fund	France
8	Aviva Investors France S.A.	0.36%	Investment Managers	Investment Advisor	France
9	Mackenzie Financial Corporation	0.63%	Investment Managers	Investment Advisor/Mutual Fund	Canada
10	Manning & Napier Advisors, LLC	0.71%	Investment Managers	Investment Advisor	United States
11	BlackRock Advisors (UK) Limited	0.36%	Investment Managers	Investment Advisor/Mutual Fund	United Kingdom
12	Allianz Global Investors GmbH	0.53%	Investment Managers	Investment Advisor	Germany
13	Union Investment Privatfonds GmbH	0.39%	Investment Managers	Investment Advisor	Germany
14	BNP Paribas Asset Management France SAS	0.31%	Investment Managers	Investment Advisor/Mutual Fund	France
15	BlackRock Asset Management Deutschland AG	0.28%	Investment Managers	Investment Advisor	Germany
16	Artisan Partners Limited Partnership	0%	Investment Managers	Investment Advisor	United States
17	Fidelity International	0.83%	Investment Managers	Investment Advisor	United Kingdom
18	CPP Investment Board	0.22%	Investment Managers	Sovereign Wealth Fund	Canada
19	Harris Associates L.P.	0%	Investment Managers	Investment Advisor/Mutual Fund	United States
20	Morgan Stanley Investment Management Ltd. (UK)		Investment Managers	Investment Advisor	United Kingdom
21	Wellington Management Company, LLP	0.21%	Investment Managers	Investment Advisor/Hedge Fund	United States
22	Artio Global Management, L.L.C._NLE	0.05%	Investment Managers	Investment Advisor	United States
23	La Banque Postale Asset Management	0.22%	Investment Managers	Investment Advisor	France
24	Gabelli Funds, LLC	0.16%	Investment Managers	Investment Advisor/Hedge Fund	United States
25	Candriam Belgium S.A.	0.07%	Investment Managers	Investment Advisor/Hedge Fund	Belgium
26	UBS Asset Management (UK) Ltd.	0.11%	Investment Managers	Investment Advisor	United Kingdom
27	DB Platinum Advisors	0.12%	Investment Managers	Investment Advisor	Luxembourg
28	Credit Suisse Asset Management	0.18%	Investment Managers	Investment Advisor/Hedge Fund	Switzerland
29	Amundi Asset Management	3.12%	Investment Managers	Investment Advisor/Hedge Fund	France
30	Calamos Advisors LLC	0.05%	Investment Managers	Investment Advisor/Hedge Fund	United States

Figure 8. Danone shareholders, 2012. From Thomson Reuters Eikon.

In 2017, the situation was similar to that of 2012. Trian Partners' short activist event did not structurally affect the composition of shareholders (see Figure 9) or the composition of the board of directors. Stockholders were still fragmented; Amundi Asset Management, Sofina Group, and Harris Associates were the biggest owners of shares of the firm with 2.17%, 2.15%, and 1.79% of the shares respectively in Q1 of 2017. Danone's board was still dominated by passive shareholders, represented by mutual funds or asset managers of banks. The board of directors faced few changes between 2012 and 2017, adding two seats and replacing Vincent, Hours, Bonnell, Goblet D'Alviella, and Kawabata. The two new seats were designated for Danone employees, but the other new directors of the board were:

- Clara Gaymard, who is a former vice president of General Electric and is a graduate of the École nationale d'administration (ENA), and technocrat of the French administration. She has been working for the Cours des Comptes, AFII, and has been an assistant of Jacques Chirac (*Faits et Documents,* nº379). She founded the endowment fund RAISE, a firm in which Riboud had been director until 2014 (see Appendix L). Danone is a shareholder of RAISE via its subsidiary DAN Investments (see Appendix M). She is a member of the club Le Siècle along with Riboud (*Faits et Documents,* nº379).
- Gregg Engles, who is the former chair and CEO of Dean Foods, the company that sold Whitewave to Danone for US$12.5 billion in 2016. During the transaction, he sold his stock options for a total of US$137 million ("Statements of Changes," 2016).
- Lionel Zinsou-Derlin, who was a Danone manager from 1986 to 1997 and is a former partner at Rothschild & Cie bank, vice chair of PAI Partners, graduate of ENS, and a technocrat of the French and Benin administrations. He has been an advisor to French Ministry of Industry and the prime minister of Benin and is a member of Le Siècle along with Riboud ("Danone S.A.: Lionel Zinsou-Derlin," 2021). He is a director of the offshore company Investisseurs et Partenaires in Mauritius, for which Severino is also a shareholder and director (see Appendix N). He sits on the strategic board of the think tank FERDI with Faber and Severino (Fondation Pour L'Études et Recherches sur le Développement International, n.d.).

- Serpil Timuray, who was a Danone manager from 1999 to 2008 and is a member of the executive committee of Vodafone Group.
- Gaëlle Olivier, who is a member of the management committee of AXA Group.
- Michel Landel, who is the CEO and chair of Sodexo Group.

Except for the Danone employees, no directors are representing shareholders. Even if we do not question the ethics and professionalism of the newly appointed directors Timuray, Zinsou-Derlin, Engles, and Gaymard, they are somehow personally connected and indebted to the Riboud family, to Faber, or Danone for their career paths.

The inclusion of Olivier and Landel, even if their background is far from the categories of Danone, brings certain independence. JP Morgan, represented on the board of directors by Seillier, was selected by Danone, together with BNP Paribas, to contract the bridge loan of US$13.1 billion to finance the acquisition of White Wave Foods in 2016 (White & Case, 2016). Including Jacques-Antoine Granjon, the board of directors has three members, out of 16, who are not connected to Danone's environment or the personal networks of Danone's leaders. As seen again with the individual and mutual business interests with Gaymar, Timuray, Zinsou-Derlin, and Engles, the agency problems are not solved by the addition of the new directors, even if the addition of Olivier and Landel as independent directors is an improvement. According to Danone's governance rules, "each Director is required to act in the interest of and on behalf of all shareholders," and to perform his/her duties,

> each Director must act independently of any interest other than the corporate interest of the Group and its shareholders. Each Director must at all times ensure that his/her personal situation does not create a conflict of interests with the Group. (Directors' Code of ethics, paras. 1–2; see Appendix O)

There is no breach in terms of the independence criteria of the AFEP-MEDEF Code, the French corporate governance code of reference for publicly traded companies, and Danone is not doing anything illegal with its board selections. However, the current and past connections of the directors do not prove that agency issues are absent and the monitoring of

Danone's CEO/chair will be done in the singular interest of the shareholders. Asymmetric information theory reinforces the agency problems. Suppose board members did not have access to the information about Danone's weak performances compared to peers. In that case, it would demonstrate the board's lack of professionalism. It is more probable that the asymmetry of information from the board was balanced by the availability of analysts' reports and internal benchmarks widely issued for such kind of listed company. It means that the financial performance gap compared to competitors could not be unknown and that the board consciously protected Danone's management at the cost of the shareholders.

Shareholders History Report #	Investor Name	% Outstanding 31/03/2017	Investor Type	Investor Sub-Type	City	Country
1	Amundi Asset Management	2.17%	Investment Managers	Investment Advisor/Hedge Fund	Paris	France
2	Sofina and Henex Group	2.15%	Strategic Entities	Corporation	Brussels	Belgium
3	Harris Associates L.P.	1.79%	Investment Managers	Investment Advisor/Hedge Fund	Chicago	United States
4	Danone Employees	1.27%	Strategic Entities	Corporation	Paris	France
5	Danone, S. A.	0.88%	Strategic Entities	Corporation	Barcelona	Spain
6	MFS International (U.K.) Limited	0.86%	Investment Managers	Investment Advisor	London	United Kingdom
7	BlackRock Advisors (UK) Limited	0.56%	Investment Managers	Investment Advisor/Hedge Fund	London	United Kingdom
8	BlackRock Asset Management Deutschland AG	0.48%	Investment Managers	Investment Advisor	Munich	Germany
9	OppenheimerFunds, Inc._NLE	0.42%	Investment Managers	Investment Advisor	New York	United States
10	DWS Investment GmbH	0.39%	Investment Managers	Investment Advisor/Hedge Fund	Frankfurt	Germany
11	La Banque Postale Asset Management	0.33%	Investment Managers	Investment Advisor	Paris	France
12	Mellon Investments Corporation	0.31%	Investment Managers	Investment Advisor/Hedge Fund	Boston	United States
13	BNP Paribas Asset Management France SAS	0.28%	Investment Managers	Investment Advisor/Hedge Fund	Paris	France
14	Mackenzie Financial Corporation	0.27%	Investment Managers	Investment Advisor/Hedge Fund	Toronto	Canada
15	Pictet Asset Management Ltd.	0.27%	Investment Managers	Investment Advisor/Hedge Fund	London	United Kingdom
16	CPP Investment Board	0.26%	Investment Managers	Sovereign Wealth Fund	Toronto	Canada
17	Capital International Investors	0.22%	Investment Managers	Investment Advisor	Los Angeles	United States
18	Capital World Investors	0.22%	Investment Managers	Investment Advisor	Los Angeles	United States
19	Deka Investment GmbH	0.22%	Investment Managers	Investment Advisor/Hedge Fund	Frankfurt	Germany
20	Ivy Investment Management Company	0.21%	Investment Managers	Investment Advisor	Overland Park	United States
21	UBS Asset Management (UK) Ltd.	0.21%	Investment Managers	Investment Advisor	London	United Kingdom
22	Macquarie Investment Management Europe SA	0.21%	Investment Managers	Investment Advisor	Strassen	Luxembourg
23	Lyxor Asset Management	0.20%	Investment Managers	Investment Advisor/Hedge Fund	Paris	France
24	Formuepleje A/S	0.18%	Investment Managers	Investment Advisor/Hedge Fund	Aarhus	Denmark
25	Epoch Investment Partners, Inc.	0.18%	Investment Managers	Investment Advisor	New York	United States
26	AG2R La Mondiale Gestion d'Actifs SA	0.17%	Investment Managers	Investment Advisor	Paris	France
27	DJE Kapital AG	0.17%	Investment Managers	Investment Advisor/Hedge Fund	Pullach	Germany
28	UBS Asset Management (Switzerland)	0.16%	Investment Managers	Investment Advisor	Zurich	Switzerland
29	THEAM_NLE	0.16%	Investment Managers	Investment Advisor	Paris	France
30	Deutsche Asset Management Americas	0.15%	Investment Managers	Investment Advisor/Hedge Fund	New York	United States

Figure 9. Danone shareholders, 2017. From Thomson Reuters Eikon.

The 2020 shareholding structure (see Figure 10) saw an increase of larger shareholders, led by mutual funds. MFS Investment Management held 7.36% of the outstanding shares, BlackRock held 5.74%, Amundi Asset Management held 3.38%, and Vanguard Group held 2.37%. As previously mentioned, these mutual funds are passive investors.

Shareholders History Report #	Investor Name	% Outstanding 31/12/2020	Investor Type	Investor Sub-Type	Country
1	MFS Investment Management	7.36%	Investment Managers	Investment Advisor/Mutual Fund	United States
2	BlackRock Institutional Trust Company, N.A.	5.74%	Investment Managers	Investment Advisor/Mutual Fund	United States
3	Amundi Asset Management	3.38%	Investment Managers	Investment Advisor/Mutual Fund	France
4	The Vanguard Group, Inc.	2.37%	Investment Managers	Investment Advisor/Mutual Fund	United States
5	First Eagle Investment Management, L.L.C.	2.40%	Investment Managers	Investment Advisor/Mutual Fund	United States
6	Norges Bank Investment Management (NBIM)	1.92%	Investment Managers	Sovereign Wealth Fund	Norway
7	Caisse des Dépôts et Consignations	1.58%	Investment Managers	Investment Advisor	France
8	Lyxor Asset Management	1.48%	Investment Managers	Investment Advisor/Hedge Fund	France
9	Danone Employees	1.46%	Strategic Entities	Corporation	France
10	Sofina and Henex Group	1.29%	Strategic Entities	Corporation	France
11	Capital Research Global Investors	1.40%	Investment Managers	Investment Advisor	United States
12	BlackRock Advisors (UK) Limited	0.83%	Investment Managers	Investment Advisor/Hedge Fund	United Kingdom
13	BlackRock Investment Management, LLC	0.53%	Investment Managers	Investment Advisor/Hedge Fund	United States
14	Baillie Gifford & Co.	0.64%	Investment Managers	Investment Advisor	United Kingdom
15	Schroder Investment Management Ltd. (SIM)	0.33%	Investment Managers	Investment Advisor/Hedge Fund	United Kingdom
16	Nordea Funds Oy	0.44%	Investment Managers	Investment Advisor	Finland
17	BNP Paribas Asset Management France SAS	0.55%	Investment Managers	Investment Advisor/Hedge Fund	France
18	Manulife Investment Management (US) LLC	0.55%	Investment Managers	Investment Advisor	United States
19	BlackRock Asset Management Deutschland AG	0.39%	Investment Managers	Investment Advisor	Germany
20	Fidelity Management & Research Company LLC	0.06%	Investment Managers	Investment Advisor	United States
21	DWS Investment GmbH	0.28%	Investment Managers	Investment Advisor/Hedge Fund	Germany
22	Capital World Investors	0.33%	Investment Managers	Investment Advisor	United States
23	Geode Capital Management, L.L.C.	0.37%	Investment Managers	Investment Advisor/Hedge Fund	United States
24	Mirova	0.34%	Investment Managers	Investment Advisor	France
25	DWS International GmbH	0.29%	Investment Managers	Investment Advisor	Germany
26	Invesco Advisers, Inc.	0.00%	Investment Managers	Investment Advisor	United States
27	UBS Asset Management (UK) Ltd.	0.09%	Investment Managers	Investment Advisor	United Kingdom
28	Amundi Ireland Limited	0.11%	Investment Managers	Investment Advisor/Hedge Fund	Ireland
29	UBS Asset Management (Switzerland)	0.38%	Investment Managers	Investment Advisor	Switzerland
30	MFS International Singapore Pte. Ltd	0.35%	Investment Managers	Investment Advisor	Singapore

Figure 10. Danone shareholders, 2020. From Thomson Reuters Eikon.

In 2020, few changes were made to the board of directors compared to 2017. Granjon, Engles, and Laurent left their positions between 2017 and 2020. Guido Barilla, chair of Barilla; Gilles Schnepp, former CEO and chair of Legrand, director at Sanofi, PSA, and Saint-Gobain; and Cecile Cabanis, former Danone CFO, joined the board. These new appointments showed a trend of greater independence and increased knowledge of Danone's business. Barilla strengthened the knowledge of food-branded categories. Schnepp brought experience in governance management, despite the potential personal co-optation by Landel, as director of the board of Legrand. In the case of Cabanis, she announced in October 2020 her wish to leave the company due to disagreements with Faber (Vidalon, 2020a). Her nomination to the board of directors in December 2020 is a sign of balancing Faber's power as chair and CEO (Vidalon, 2020b). In 2020, the board of directors has improved its knowledge of food categories and its ability to balance power, even if personal networks and non-independent members still dominate most members (12 out of 16).

In conclusion, the fragmented shareholder structure dominated by passive shareholders and the structural agency issues illustrated by the composition of the board of directors over the past nine years has led Danone to a vulnerability to activism. The literature confirms the typical target profile of the company by combining agency issues, passive shareholders, and anti-takeover measures.

Unilever

In February 2017, Unilever was subject to a hostile takeover bid of US$143 billion by its competitor Kraft Heinz. Kraft Heinz was controlled by the investment group Berkshire Hathaway and the private equity firm 3G Capital. The hostile bid was rejected by Unilever's board of directors three days after the event, and Kraft Heinz immediately withdrew its offer (Chaudhuri & Dummet, 2017). Kraft Heinz and its owners are not ASs as defined by the activist industry. However, the bid provoked an internal activist agenda to move away from being a potential takeover target (Sharma, 2017). As seen in the literature review, the AS phenomenon also affects non-target companies by stimulating proactive actions that an activist might ask before the event occurs. In the case of Unilever, I examined the Kraft Heinz event as well as the consequences of the activist phenomenon to the company even though it was not officially targeted by activist hedge funds.

Financials. Looking at the TSR of Unilever in 2017 in comparison to peers (see Figure 1), as well as the Tobin's Q performance, the observation shows general average low performances of the three-year, five-year, and ten-year TSR versus peers. Unilever performed slightly better on the three-year TSR than Danone and Nestlé but underperformed significantly below Reckitt Benckiser, Mondelez, PepsiCo, and Kraft Heinz. Unilever performed better on the five-year TSR than Danone and Kraft Heinz, equally to Nestlé but significantly below Mondelez, Reckitt Benckiser, and PepsiCo. On the ten-year TSR, the company performed better than Danone and Kraft Heinz, but below all other peers. The ROA in 2017 (see Figure 2) was at a low level compared to the average of the seven previous years but does not show a drop versus the two previous years.

Regarding the Tobin's Q (see Figure 11), there was a drop in 2016 to a ratio of 3.50 before the Kraft Heinz event. Both the TSR and Tobin's Q performances are in line with the literature to justify action from an investor.

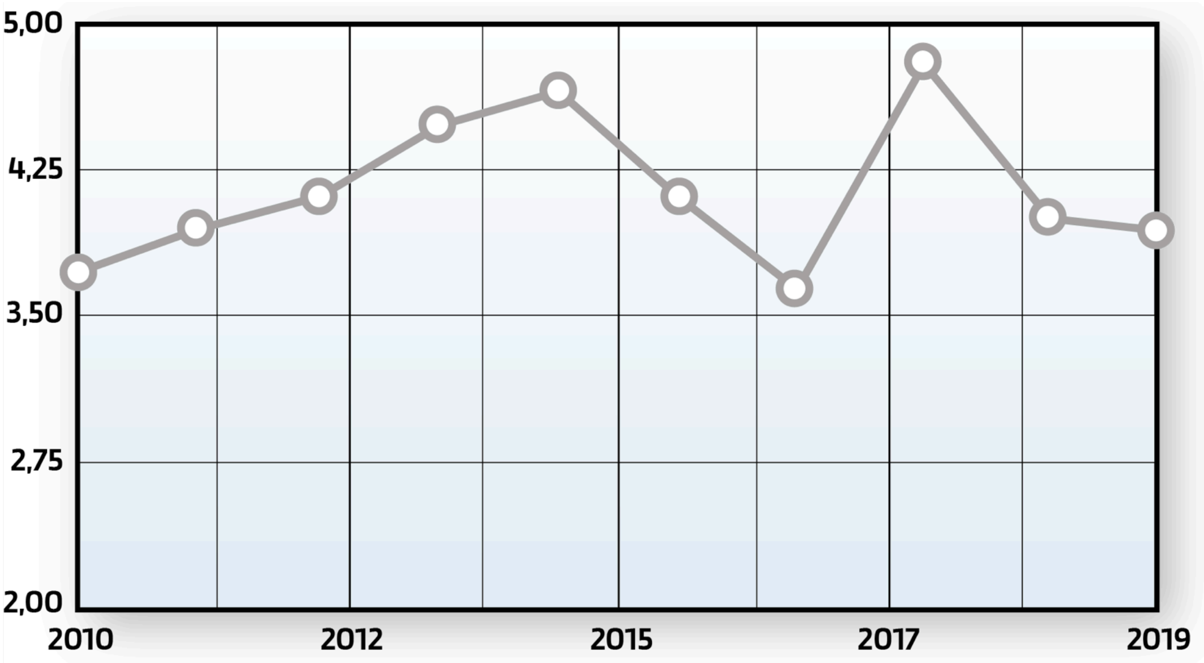


Figure 11. Unilever's Tobin's Q, 2010–2019. Note: *Based on Unilever annual reports and accounts, 2010–2020.*

Shareholder structure and governance. The shareholder structure of Unilever in 2017 was fragmented (see Figure 12), with the largest shareholder being the mutual fund BlackRock with a total of 7.88% of outstanding shares, followed by mutual fund Leverhulme Trust with 5.34% of outstanding shares and Legal & General Investment Management Ltd with 2.40% of outstanding shares. According to the literature review, these investors are considered passive investors.

Shareholders History Report						
#	% Outstanding		Investor Name	Investor Type	Investor Sub-Type	Country
	31/03/2017	31/12/2016				
1	6.40%	6.33%	BlackRock Institutional Trust Company, N.A.	Investment Managers	Investment Advisor/Mutual Fund	United States
2	0.96%	0.92%	The Vanguard Group, Inc.	Investment Managers	Investment Advisor/Mutual Fund	United States
3	5.34%	5.34%	Leverhulme Trust	Strategic Entities	Investment Advisor/Mutual Fund	United Kingdom
4	1.65%	1.61%	Lindsell Train Limited	Investment Managers	Investment Advisor/Mutual Fund	United Kingdom
5	0.48%	0.59%	BlackRock Advisors (UK) Limited	Investment Managers	Investment Advisor/Mutual Fund	United Kingdom
6	0.19%	0.18%	Credit Suisse Asset Management	Investment Managers	Investment Advisor/Hedge Fund	Switzerland
7	0.88%	0.96%	BlackRock Investment Management (UK) Ltd.	Investment Managers	Investment Advisor/Mutual Fund	United Kingdom
8	0.99%	1.19%	State Street Global Advisors (UK) Ltd.	Investment Managers	Investment Advisor/Mutual Fund	United Kingdom
9	0.93%	0.04%	Capital Research Global Investors	Investment Managers	Investment Advisor	United States
10			First Eagle Investment Management, L.L.C.	Investment Managers	Investment Advisor/Hedge Fund	United States
11			Fundsmith LLP	Investment Managers	Investment Advisor	United Kingdom
12	0.68%	0.87%	Aberdeen Asset Investments Limited	Investment Managers	Investment Advisor	United Kingdom
13	0.44%	0.44%	State Street Global Advisors (US)	Investment Managers	Investment Advisor/Hedge Fund	United States
14	0.56%	0.47%	Troy Asset Management Limited	Investment Managers	Investment Advisor	United Kingdom
15	0.78%	0.80%	M & G Investment Management Ltd.	Investment Managers	Investment Advisor	United Kingdom
16	0.96%	0.76%	Caisse de Depot et Placement du Quebec	Investment Managers	Pension Fund	Canada
17	0.25%	0.25%	Geode Capital Management, L.L.C.	Investment Managers	Investment Advisor/Hedge Fund	United States
18	0.58%	0.57%	T. Rowe Price Associates, Inc.	Investment Managers	Investment Advisor	United States
19	0.65%	1.03%	Columbia Threadneedle Investments (UK)	Investment Managers	Investment Advisor/Hedge Fund	United Kingdom
20	0.91%	0.89%	Aviva Investors Global Services Limited	Investment Managers	Investment Advisor/Hedge Fund	United Kingdom
21	0.39%	0.49%	Schweizerische Nationalbank	Investment Managers	Bank and Trust	Switzerland
22	2.43%	2.40%	Legal & General Investment Management Ltd.	Investment Managers	Investment Advisor/Mutual Fund	United Kingdom
23	0.35%	0.34%	Royal London Asset Management Ltd.	Investment Managers	Investment Advisor/Hedge Fund	United Kingdom
24	0.43%	0.55%	RBC Global Asset Management (UK) Limited	Investment Managers	Investment Advisor	United Kingdom
25	0.22%	0.21%	Evenlode Investment Management Limited	Investment Managers	Investment Advisor	United Kingdom
26	0.62%	0.78%	Cedar Rock Capital Ltd.	Investment Managers	Investment Advisor/Hedge Fund	United Kingdom
27	0.84%	0.76%	Newton Investment Management Ltd.	Investment Managers	Investment Advisor	United Kingdom
28	0.65%	0.60%	Schroder Investment Management Ltd. (SIM)	Investment Managers	Investment Advisor/Hedge Fund	United Kingdom
29	0.44%	0.35%	Wellcome Trust	Investment Managers	Endowment Fund	United Kingdom
30	0.34%	0.36%	UBS Asset Management (UK) Ltd.	Investment Managers	Investment Advisor	United Kingdom

Figure 12. Unilever shareholders, 2017. From Eikon from Thomson Reuters Eikon.

The board of directors was composed of 12 members, four of whom had passports of the company's origin, Great Britain and the Netherlands. Nine directors had a consumer background in terms of category experience, and the other nine had significant finance track records. Only two members were connected to Unilever: the CEO and the CFO. There was no direct representation of shareholders on the board of directors (see Appendix P). The composition did not show reciprocal interests for the directors. For example, only Laura Cha had a mandate in a bank at HSBC Holdings, but there was no mandate for HSBC as financial advisor for M&A since Cha is on Unilever's board. Three directors, including the chair, have or had positions at General Electric. It might be the consequence of personal co-optation, but that did not include the CEO nor the CFO. In comparison to Nestlé and Danone, the board of directors does not show any potential agency issues. The market capitalization of the company at the end of 2016 was €110 billion, which made the firm potentially accessible for a takeover. No anti-takeover measures were in place.

To conclude, as per the findings and the literature, the financial performances, the market cap, and the absence of anti-takeover tools attracted two investors, Berkshire Hathaway and 3G Capital, under the flag of Kraft Heinz. The solid corporate governance worked out, as the board of directors decided to reject the offer, claiming that "Unilever rejected the proposal as it sees no merit, either financial or strategic, for Unilever's shareholders. Unilever does not see the basis for any further discussions" ("Unilever rejects $143 bln Kraft offer," 2017). Indeed, many of the top shareholders considered the bid to undervalue the company. Furthermore, shareholders were skeptical about the intentions of Kraft Heinz regarding the balance sheet of Unilever. Indeed, Kraft Heinz's high level of debt would have potentially absorbed the excellent balance sheet of Unilever, something that Unilever's shareholders did not accept (Elder et al., 2017). The board of directors' position was fully aligned with the interests of shareholders in this case. It shows that there was no asymmetric information between the directors and the shareholders.

Research Question 2: What Are the Effects of the Activist Shareholders' Interest on These Companies' Organizations?

In this part, the study uses the qualitative methodology described in Chapter 4.

Nestlé

Management Response. Officially, Nestlé's management never responded directly to Third Point LLC's communication campaign. During this study's research, a short interview of CEO Mark Schneider was completed on June 20, 2019, in Zurich, Switzerland. Two questions were raised:

- How is the presence of the activist influencing the firm?
- Why did Nestlé never formally react to Third Point LLC's campaign?

Schneider responded to each question as follows:

- "Nestlé has a long-term shared value creation model. As seen in the presentation, the company delivers strong TSR performances for a long time already. The way Nestlé addresses its responsibilities to its stakeholders is a long-term process."

- “You cannot compare a 2.5% shareholder which arrives suddenly with five-generation shareholders. We are a long-term vision company by essence. We look for a consensus among all. We do not focus on it.”

Although Schneider admits to not focusing on the activist, Nestlé delivered tangible actions in line with Third Point LLC’s demands, especially in P&L improvement and capital return.

P&L improvement. In its June 17, 2017, letter addressed to the Nestlé management and shareholders, Third Point LLC pointed out the lower margins of the company compared to peers and especially the lack of margin target (see Appendix A). Three months after the activist event at the investor seminar, Nestlé set growth and margin targets for the first time in its history (see Appendix Q). The growth objective was to reach a “mid-single-digit” organic growth by 2020, and the margin objective was an operating profit between 16.5% to 18.5% by 2020. In 2020, Nestlé was considered to have achieved its target with 3.6% of growth and an operating profit of 17.5% (see Appendix R).

Capital return. In its letter, Third Point LLC also highlighted the low leverage of net debt to the EBITDA of Nestlé as an opportunity for a vigorous program of share buybacks. One month later, Nestlé announced its bigger share buyback program, with a total value of CHF 20 billion to be completed by the end of 2019. In October 2019, Nestlé announced another share buyback program of an additional CHF 20 billion to be completed by the end of 2022 (see Appendix S). Between 2016 and 2020, the leverage of net debt to EBITDA moved from 0.9 to 1.7, as requested by Third Point LLC. Indeed, Modigliani and Miller (1958) demonstrated that the cost of capital for a firm is independent from its capital structure in a tax-free environment. As corporate interest expense is tax deductible, the cost of debt is reduced accordingly, which makes financial debt more attractive. As a consequence, Modigliani and Miller (1958) added to the asset value (Vu) the present value of tax savings generated by interest expense (VI = Vu + Debt * Tax rate). This means that the company value increases in proportion to the amount of debt, until the debt is risk free. Between 2016 and 2020, Nestlé's net debt increased by 125% from CHF 13.9 billion to CHF 31.3 billion, and the tax ratio decreased from 35% to 24% for the same period. Consequently, between 2016 and 2020, the net profit increased by 39% compared to the operating profit, which only increased by 11% (see Appendix T). The request to divest the L'Oréal stake did not receive the same consideration from Nestlé, as the company did not sell its position.

The absence of the official statement of Nestlé, along Schneider's interview responses, compared to the post-event facts, illustrate the paradigm dilemma the firm has had to manage since the activist event. As per both stakeholder theory and shareholder theory, Nestlé's management has been forced to deal with both approaches for the first time since the infant milk scandals. Indeed, the company had been facing intense pressure from NGOs and governments in the 1970s and 1980s due to unregulated practices of marketing infant formulas in developing countries, which led to severe sanitary problems for babies. Since then, the firm has been extremely cautious and proactive in considering its responsibilities to all stakeholders. The fact that Third Point LLC focused its campaign on financials and portfolio management pressured Nestlé's management to balance the value more toward shareholders. The dilemma in dealing with both theories is illustrated by the gap between the stakeholder-centered communication of the company and its fast shareholder-focused response to the activist's requests.

Organization. Between 2017 and 2020, the board of directors faced the replacement of six members. Andreas Koopmann (Swiss), Beat Hess (Swiss), Steven Hoch (Swiss), Naina Lal Kidwai (Indian), Jean-Pierre Roth (Swiss), and Ruth Oniango (Kenyan), all without backgrounds in Nestlé's categories or in consumer categories, have left the firm. They have been replaced by Pablo Isla (Spanish), chair and CEO of Inditex; Kasper Rorsted (Danish), CEO of Adidas with 11 years in Henkel; Kimberly Ross (American), former CFO of Avon

Products; Dick Boer (Dutch), former president and CEO of Ahold Delhaize; Dinesh Paliwal (American/Indian), CEO of Harman International Industries; and Hanne Jimenez de Mora (Swiss), co-founder and chair of A-Connect AG. The board renewal brought four high-profile members with extensive experience in consumer categories (Isla, Rorsted, Ross, and Boer). As previously mentioned, the lack of consumer backgrounds on the board of directors was highlighted by Third Point LLC as an issue to solve, proposing its support with the golden leash, Jan Bennink. This change of profile is relevant, and it demonstrates the influence of the AS, as it is the first time since 2000 that four directors with solid experience in consumer categories joined Nestlé's board. Furthermore, the importance of diversification of nationalities cannot be underestimated. Third Point LLC described Nestlé as an "insular" organization. Indeed, until 1987, two thirds of Nestlé's capital was owned by Swiss national individuals or investment managers, which led to a structural Swiss-focused organization. Between 2017 and 2020, four Swiss directors left to welcome only one new one. The impact of Third Point LLC can also be reasonably considered regarding this aspect of the board renewal. Even if Nestlé never communicated these assignments as a response to the agency problem revealed by Third Point LLC, the relevance of the changes made compared to the directors' profiles of the last 20 years demonstrates a reasonable causal effect.

Portfolio. As the literature reveals, activists' potential success is linked to the multiple outcomes that they can achieve. Of these outcomes, restructuring or partial takeovers play a significant role in increasing stock returns and operation performance. Indeed, Third Point LLC publicly requested Nestlé's management to divest branches and brands of their activities and acquire others. My findings, summarized in Figure 13, show no significant impact of Third Point LLC's activist event in June 2017 regarding the number of acquisitions or disposals. Still, it offers a significant acceleration in terms of value. Between January 2010 and May 2017, the average annual number of acquisitions was 6.1 and the average annual number of disposals was 5.8. After the activist event, they were 6.3 and 5.7 respectively, which does not show a significant change. In terms of value, the average annual value of acquisitions increased from CHF 2.8 billion to CHF 4.2 billion, or 50%, after the activist event, and the average annual value of disposals increased from CHF 5.4 billion to CHF 7.3 billion, or 35%. Third Point LLC mentioned divesting the unhealthy and mainstream-related brands and buying healthy and premium brands. The cited businesses—Herta (pre-cooked frankfurters sold throughout Europe), the U.S. ice cream business, the Galderma dermatology subsidiary, and the Buitoni brand (freshly made Italian pasta, sauces, and cheese) in the United States have been sold, and the peanut drink business in China is for sale. At the same time, Nestlé acquired premium healthy-focused companies like Simply Cook, Essentia Water, Aimmune Therapeutics, Starbucks retail products, Atrium Innovations, Vital Proteins, and the Bluebottle Coffee Company. This acceleration of portfolio change in terms of value and profile demonstrates the impact of Third Points LLC's advice.

	from Jan 2010 to May 2017	from June 2017 to March 2021
Acquisitions		
Quantity	39	24
Yearly Quantity	6.1	6.3
Total Value	CHF 17.9 b	CHF 16.0 b
Total Value per Year	CHF 2.8 b	CHF 4.2 b
Disposals		
Quantity	37	22
Yearly Quantity	5.8	5.7
Total Value	CHF 34.8 b	CHF 27.9 b
Total Value per Year	CHF 5.4 b	CHF 7.3 b

Figure 13. Nestlé's M&As. From Merger Market.

Danone

Management Response. Danone's management reacted very little to the first two activist events in 2012 and 2017. In December 2012, one month after the purchased stake of Trian Partners, Danone announced a European restructuring plan, cutting 900 management jobs

(Danone, 2012a). Even if this cost savings plan had been prepared before November 2012, the timing of the announcement and the scale of the plan appears to be a response to the activist. In February 2013, CEO Riboud declared: "Mr. Peltz has taken a 1 percent stake—fine. But we have a policy of never commenting on discussions with shareholders, and we won't change the rule for Mr. Peltz" (Daneshkhu, 2013, para. 6). Since Peltz supported Riboud and sold Trian Partners' shares by April 2013, no more communication was made from Danone regarding activism. In 2017, Corvex Management considered its investment to be an opportunity without requesting governance changes or more aggressive targets. Consequently, Danone did not comment or act on a plan due to the activist event. Faber, Danone's new CEO, noted having "zero discussion with Corvex" in August 2018 (Agnew, 2018, para. 12). These two low-intensity-activist campaigns did not provoke an ambitious response from Danone, as identify only a potential link to the small 2012 restructuring plan can be identified. In 2021, the more intense activism of Bluebell Capital Partners and Artisan Partners forced Danone to respond. By addressing the financial underperformance and agency issues to Directors Schnepp and Landel, both activists managed to get fast responses from Danone in terms of separation of the role of CEO and chair and Faber's exit. Danone confirmed the "local plan" announced in November 2020 and did not set new financial performance and strategy targets (Protard, 2021). The antagonism between the stakeholder and shareholder theories shows the company's conflict in its business culture. Danone is a pioneer firm in embracing the stakeholder theory, starting with Riboud's 1972 speech up through the declaration of being a "Entreprise à Mission" in May 2020 (Danone, 2020). The high intensity of the 2021 activism forces management to publicly respond to shareholder theory, in contradiction to its stakeholder paradigm. Danone's inability to communicate on further plans to satisfy the ASs illustrates the ambiguity of their stakeholder positioning in dealing with such intense activist events. The months that follow Faber's exit will show how the company culture will manage the two theories.

Organization. As previously discussed, Danone has been facing agency issues due to the composition of its board of directors since at least 2012 and that the activist events in 2012 and 2017 did not affect the agency problems. The activist events in January and February 2021, by Bluebell Capital and Artisan Partners respectively, requested the following governance changes:

- separation of the role of CEO and chair,
- the exit of the CEO and chair Faber, and
- improvement in the consumer expertise of those on the board of directors.

Danone accepted the separation of the role of CEO and chair without negotiation (Danone, 2021a). Regarding Faber's exit, the pressure of both activists increased as the board initially confirmed its commitment to him, but they managed to get their desired outcome with a board vote on March 14, 2021 (Danone, 2021a). Despite the complaint of minority shareholders like Phitrust, which complained about the activists' requests (Branche & De Guerre, 2021), Faber was replaced by Schnepp as chair of the firm (Danone, 2021b). Severino, a lead independent director of Danone and a director for Phitrust, was in charge of leading the recruitment of the new CEO (Girard, 2021). Severino's previously mentioned interconnections with Danone's interests and position on the board of Phitrust, which disagreed with the activists' statements, shows that Danone's agency problems are not solved. On May 16, the board named Antoine de Saint-Affrique as the new CEO of Danone; he had been a marketing director for Danone, led regional activities for Unilever, and was recently CEO of Barry Callebaut (Abboud, 2021b). In terms of consumer expertise, Schnepp cancelled the proposed nominations of Ariane Gorin and Susan Roberts to give priority to those with consumer profiles. Neither Gorin nor Roberts have the consumer expertise requested by the activists (Berthon, 2021).

In conclusion, the 2021 activist events created short-term impacts on Danone's governance by separating the CEO and chair functions, removing Faber as CEO, and focusing on consumer profiles for future board members. These achievements in only two months' time are significant compared to the activist events of 2012 and 2017. However, the recruitment of CEO de Saint-Affrique led by Severino does not solve the structural agency issues of the company. Indeed, according to the press, de Saint-Affrique was on a short list with Nathalie Roos from L'Oréal (Boudet, 2021). Roos's profile looks like a sparring partner for the selection to legitimize the choice of de Saint-Affrique. Roos never led a global food staple and consequently did not match the activists' request. Neither Bluebell Capital nor Artisan Partners, nor the stock level of the company reacted positively to the choice of de Saint-Affrique. It shows that governance changes at Danone are complex and agency issues will take time to be solved.

Portfolio. Except for the acquisition of Whitewave in 2016, there does not appear to be any impact on the outcomes of acquisitions or disposals of businesses or brands of Danone from the activist events in 2012 and 2017 (see Figure 14). The study is too close to the 2021 events to see any influence. The activist event in November 2012 did not provoke any acceleration in disposals in terms of value but shows a large impact on acquisitions in total value per year, moving from €0.34 billion to €2.7 billion. From a quantitative perspective, it is significant, but the acquisition of Whitewave was not a request from the activist and fit within Danone's existing agenda of investing in healthy brands and categories. Moreover, the acquisition of Whitewave is the only significant acquisition in the last 20 years since the purchase of Numico for a value of €11.9 billion in 2007. For the 2017 activist event, there does not appear to be an impact on portfolio; as for acquisitions and disposals, the levels of the yearly quantity of transactions and value per year go to the same level or below that of 2012. In conclusion, the activist events at Danone did not create a portfolio change at that time.

	from Jan 2010 to October 2012	from November 2012 to July 2017	from August 2017 to December 2020
Acquisitions			
Quantity	10	16	3
Yearly Quantity	3.5	3.4	0.9
Total Value	EUR 0.97 b	EUR 12.5 b	EUR 0.44 b
Total Value per Year	EUR 0.34 b	EUR 2.7 b	EUR 0.13
Disposals			
Quantity	6	13	7
Yearly Quantity	2.1	2.8	2.1
Total Value	EUR 0.720 b	EUR 0.95 b	EUR 0.09
Total Value per Year	EUR 0.25 b	EUR 0.2 b	EUR 0.03

Figure 14. Danone's M&As. From Merger Market.

Unilever

Management Response. The hostile takeover of Kraft Heinz lasted only three days—February 17–19, 2017—as the board of directors refused the transaction because they claimed that the bid "fundamentally undervalues" the company, which "sees no merit, either financial or strategic, for Unilever's shareholders" (Megaw, 2017, para. 4). Despite Unilever's unwillingness to proceed with the intentions of Kraft Heinz, the company addressed more ambitious financial targets in the following months. CEO Paul Polman publicly recognized that the bid of Kraft Heinz could have been avoided by communicating targets better with less conservatism, especially at the November 2016 investor seminar (Barber & Daneshkhu, 2017). The CEO went further, acknowledging that the takeover event pushed the company to make decisions that they would not otherwise have done (Edgecliffe-Johnson, 2018). Indeed, two months after the takeover bid, Unilever announced a new program called "Accelerating Sustainable Shareholder Value Creation," which included a share buyback program of €5 billion, an increase of 12% in the dividend, additional savings of €2 billion, a target operating margin of 20%, and more dynamic portfolio management (Unilever, 2017). This detailed response is what the market recognizes as internal activism. This fast and sharp move of Unilever illustrated how the company was balancing stakeholder and shareholder theories. Polman described the bid attempt as "a clash between people who think about billions of people in the world and some people that think about a few billionaires” (Edgecliffe-Johnson, 2018, para. 6). Like Danone, Unilever became a totem in ESG policies, especially during the mandate of Polman as CEO. This sudden conflict between satisfying stakeholders or shareholders created by the bid re-balanced the company’s communication and objectives to more aggressive financial targets and shareholder returns. According to Polman’s declaration, it is clear that this move to a shareholder focus is not in line with his personal purpose. This episode of internal activism might have led the CEO to make fast decisions for his career.

Organization. As previously discussed, Unilever’s board of directors during the Kraft Heinz activist event was balanced in terms of its composition, with no visible agency issues. Between 2017 and 2020, five members of the board of directors left, including the chair and the CEO. The chair was replaced by existing board member Nils Andersen, and the CEO was replaced by the president of Unilever’s Beauty and Personal Care Division, Alan Jope. Two new members were added, Andrea Jung and Susan Kilsby, both of whom have solid track records in consumer goods. The last position has not been replaced.

In 2017, the company had two headquarters, in London and Rotterdam. As a response to Kraft Heinz’s activism of and to defend the company from a new potential takeover, Polman decided to close the headquarters in London and move all headquarter activities to Rotterdam, where the Dutch laws for takeovers are stricter than in the United Kingdom (Daneshkhu, 2018). His March 2018 decision (Unilever, 2018) was heavily criticized by shareholders holding shares on the London stock exchange. The fact that many London-based shareholders disagreed with the decision is not connected to Polman’s exit, as his decision to leave his position by the end of 2018 had already been announced in November 2017 (Gwynn, 2017; “Unilever and a growing UK shareholder revolt,” 2018) . In the case of the former chair, Marijn Dekkers, his mandate at Unilever was for three years, while his two predecessors did eight and nine years. The revolt of the shareholders against the headquarter move was considered to be a trigger for the chair's replacement by the analysts. In conclusion, in terms of governance, the main impact of Kraft Heinz's activism was a merging of both headquarters to Rotterdam, which led the chair to step down. The appointments of Jung and Kilsby were also sign of strengthening corporate governance after the hostile bid, as they replaced members who did not have consumer backgrounds.

Portfolio. Looking at the quantitative impact of the activist event of Kraft Heinz on Unilever's portfolio (see Figure 15), there is a significant increase in divestments, selling for more than €8 billion in three years after the event when Unilever sold only for €5.53 billion in the seven years prior. The average annual divestment increased from €0.90 billion to €2.7 billion, which means an increase of 300%. This increase is mainly driven by the divestment of the margarine business in Autumn 2017 to KKR for a value of €7 billion. Qualitatively, there is also a shift in the portfolio, focusing on more added value categories. The divestment of the margarine business, followed by the acquisition of the OTC business of GSK and the acquisition of Carver Korea, shows a new trend in the firm's portfolio management. Compared to the period before the activist event, the main acquisitions were related to the increasing ownership of Hindustan Unilever Limited in India, representing €20.7 billion of the €26.2 billion in total acquisitions. The rest of the acquisitions were on mainstream brands like Alberto Culver for a value of €2.7 billion.

In conclusion, the activism provoked by the bid of Kraft Heinz led Unilever to accelerate its portfolio shift, illustrated by the divestment of the margarine business to focus on higher added-value categories and brands like Carver Korea and the OTC brands of GSK.

	from Jan 2010 to February 2017	from March 2017 to March 2021
Acquisitions		
Quantity	35	33
Yearly Quantity	5.75	8.3
Total Value	EUR 26.2 b	EUR 8.5 b
Total Value per Year	EUR 4.31 b	EUR 2.12 b
Disposals		
Quantity	24	8
Yearly Quantity	3.95	2.7
Total Value	EUR 5.53 b	EUR 8.05 b
Total Value per Year	EUR 0.90 b	EUR 2.7 b

Figure 15. Unilever's M&As. From Merger Market.

Research Question 3: How Do the Financials of These Target Companies Behave After an Activist Event?

Following the literature, this study focuses on these financial measurements to understand whether the activist events have improved or damaged the performances of the target firms:

- abnormal stock returns during the 10 days, 20 days, 12 months, and 36 months after the activist event. The abnormal return is calculated as follows:

  Actual return – expected return

  The expected return follows the capital asset pricing model (CAPM), which is defined as follows:

  Expected return = risk-free rate + beta *x* (market return – risk-free rate)
- return on assets: operating income/average total assets
- Tobin's Q: enterprise value/capital employed

In this part, the study uses the quantitative methodology described in Chapter 4.

Nestlé

Abnormal Stock Returns. In the case of Nestlé, the activist event from Third Point LLC officially took place on June 25, 2017. At the end of May 2017, the Beta of the company was 0.6095. For the risk-free rate, we consider the one-year Swiss bond rate at a level of -0.63% just before the activist event. For the source of market return, the reference data is the Swiss market index, SMI. As observed in Figure 16, there is a positive abnormal return at 10 days and 20 days after the activist event by 2.56% and 2.05% respectively. During the one-year period, the abnormal return is negative by -4.52% and positive by 23.23% during the three-year period.

These findings are in line with the literature, as there is a consensus of positive abnormal returns in the short term after the activist event. Similarly, the literature finds no evidence of positive effects on the abnormal return in the long term, which is the case for Nestlé—negatively affecting a one-year period and positively affecting a three-year period.

	10 days SMI return	10 days Nestle return	20 days SMI return	20 days Nestle return	1 year SMI return	1 year Nestle return	3 year SMI return	3 year Nestle return
	-2.20%	0.97%	-1.96%	0.61%	-6.73%	-8.87%	8.53%	28.19%
Beta	0.6095							
1 year treasury	-0.63%							
	10 days abnormal return		**20 days abnormal return**		**1 year abnormal return**		**3 year abnormal return**	
Abnormal return	**2.56%**		**2.05%**		**-4.52%**		**23.23%**	

Figure 16. Nestle abnormal returns from Eikon from Thomson Reuters

ROA. To look at the potential effect on the ROA, I performed a statistical analysis to evaluate the correlation between the activist event and the ROA performance. The opposite of stock return, the potential effects on ROA take more time as strategic decisions are required to influence the KPI. Consequently, to calibrate the time effect, the study weighs the power of influence of the AS from 0 to 1. The weighing of the AS's power of influence can be challenged and discussed, but it avoids falling into a binary correlation that does not reflect the reality of the situation between Third Point LLC and Nestlé. So , the study considers the activist pressure ratio to be 0.1 in 2017, 0.5 in 2018, and 1 in 2019. The Pearson correlation in Figure 17 shows a value of 0.30, which demonstrates a positive correlation between the activist event and the positive development of ROA. The value of 0.30 indicates a small or medium correlation, which mitigates the influence of the activist. Indeed, during the years prior to 2017, Nestlé's ROA was higher than in 2017 and 2018. Even in 2014, the ROA had its highest ratio of the decade. However, after the 2017 activist event, the ROA is on a positive trend. Even though the causes of the trend are multifactorial, the correlation demonstrates the positive influence of Third Point LLC. As seen in the literature, ROA improvements after activist events are mainly due to reduced assets rather than additional profits (Clifford, 2008). In Nestlé's case, there was a reduction of 5.1% of assets between 2017 and 2020, but an increase in profit of 64%. The causality of ROA improvements is different from the literature, as the contribution to profit is significantly higher than the reduction in assets. Even if the correlation is relatively small, the ROA improvements after the activist event partially support the literature, especially the findings of Bebchuk (2013) and Bebchuk et al. (2015), versus those of Klein and Zur (2009), Allaire and Dauphin (2015), and deHaan et al. (2018), who found little or no evidence of a correlation between ROA improvements and activism.

	ROA	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Nestle	8.10%	8.70%	8.90%	8.50%	11.70%	7.40%	6.90%	5.70%	7.80%	9.70%	9.86%
Activist Pressure		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.5	1.0	1.0
Pearson Correlation		0.30										

Figure 17. Nestle ROA, based on Nestlé's annual reports 2010–2020.

Tobin's Q. As per the ROA, I performed a statistical analysis to evaluate the correlation between the activist event and the Tobin's Q performance. The weighing of the power of influence differs from that of the ROA, as the impact on the market capitalization of the target company is visible in the short term. Figure 18 shows a strong positive correlation between the activist event and the Tobin's Q performance, with a Pearson correlation value of 0.86. In the literature, Allaire and Dauphin (2015) attributed the Tobin's Q increases as being mainly due to the reduction in the capital employed. In Nestlé's case, the capital employed was reduced by 3.6% between 2017 and 2020, but the market capitalization was reduced by 14.6% in the same period. It is indeed partially different from the literature, as similar findings of neutral Tobin's Q effects from activist events are found in the studies of Klein and Zur (2009) and Goodwin (2015). This study's findings for Nestlé support the work of Bebchuk (2013) and Bebchuk et al. (2015), which correlated activism with Tobin's Q improvements. The increase in the market capitalization was driven by the communication of Nestlé's management to increase margin and growth as well as to improve capital reallocation with share buyback programs. As the firm has delivered its plan, the Tobin's Q combines the increase in the market capitalization and the slight reduction in the capital employed, which leads to a significant increase in the KPI.

	Tobin Q	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Nestle	2.84	2.57	2.57	2.83	2.91	3.13	3.01	3.4	3.02	4.12	4.17
Activist Pressure		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.75	1.0	1.0
Pearson Correlation		0.86										

Figure 18. Nestle Tobin Q, based on Nestlé's annual reports 2010–2020.

In general, the financial performance connected to the activism of Third Point LLC are positive for the three observed KPIs. The literature highlighted that experienced and intense activism generates more shareholder value than controlled samples. In 2017, Lazard's (2018) annual activism review ranked Third Point LLC as a top-three leading activist hedge fund . The combination of the credibility of Third Point LLC and its intensity in communication to Nestlé's management, which delivered objective outcomes, led the activist event to success in financial KPIs.

Danone

Abnormal Stock Returns. In Danone's case, the study looks at the abnormal returns around each activist event in 2012, 2017, and 2021 (see Figure 19). Before Nelson Peltz's activist event in November 2012, the beta of Danone was 0.8622. Before the Corvex

Management activist event in August 2017, the beta of Danone was 0.8921. Before the actions of Bluebell Capital Partners in January 2021 and Artisan Partners in February 2021, the beta of Danone was 0.6872 and 0.7049, respectively.

For the risk-free rate, I considered the one-year treasury rate of the French one-year bond, at a level of 0.03%, -0.54%, -0.61%, and -0.57%, respectively, before each activist event. For the source of market return, the reference data were the French market index, CAC 40. For Trian Partners in November 2012, the 10-day abnormal return showed a positive development of 1.04% when all other periods showed negative ones. Acknowledging that Trian Partners stayed only six months as a shareholder, it can be deducted that this activist event did not affect the three-year abnormal return. According to the literature, Trian Partners was part of the top activist hedge funds in 2011 (Krishnan et al., 2015), which deliver, on average, a 2.31% higher abnormal return than a sample reference. Even if in this case, when not being compared with a reference sample, there is no tangible effect on the abnormal stock return from Trian Partners. Additionally, Boyson and Mooradian (2012) demonstrated that experienced hedge funds deliver higher returns. With its track record, Trian Partners can be considered an experienced hedge fund for activism. Again here, there is no evidence of a positive effect from the activist Trian Partners.

Regarding the activism of Corvex Management, the 10-day and 20-day abnormal returns showed positive effects of 2.07% and 3.14% respectively, which is in line with the literature. The abnormal returns are significantly negative from a long-term perspective, with -1.97% and -12.56% for the one-year and three-year abnormal returns respectively. Thanks to the literature, these performances can be connected to the outcomes obtained by the activist. Indeed, except on the day of the activist event, when Corvex Management saw the firm as undervalued (David et al., 2017), there were no active communication or requested concrete outcomes from the activist hedge fund. This study has demonstrated that positive abnormal returns are linked to the outcomes the activists get from the target company in the literature review. As in this case, Corvex Management did not obtain concrete outcomes from its action because it did not disclose its intentions, so the negative abnormal returns on the long-term appear logical. The short-term positive effects are connected to the positive expected outcomes to come after the shares' purchase statement of the activist. As noted earlier in the literature review, engagements "without outcomes generally do not generate significant shareholder value under any specification" (Becht et al., 2017, p. 2965). This is the case with Corvex Management's event.

In the cases of Bluebell Capital Partners in January 2021 and Artisan Partners in February 2021, only at the short-term abnormal returns could be examined for this study. For both events, there were significant positive abnormal returns between 1.81% and 7.38%. The approach of these two last hedge funds—being more aggressive in their communications than Corvex Management and Trian Partners; being more precise in the expected outcomes, especially by requesting substantial governance changes, and being supported by the golden leash Jan Bennink in the case of Artisan Partners—more dynamically stimulated the short-term stock return. As the literature says, multiple outcomes, combining governance changes, shareholder returns, and potential disposals are critical to the success of activism. This type of intense activism delivers significantly higher abnormal returns (Boyson & Mooradian, 2010). In the long term, abnormal returns will potentially deliver positive numbers if the activists obtain tangible outcomes from their actions. The fact that they succeeded in the removal of Faber as chair and CEO, only 25 days after the activist event of Artisan Partners, is an outcome that might support abnormal returns in the future.

2012: Trian Partners

	10 days CAC 40 return	10 days Danone return	20 days CAC 40 return	20 days Danone return	1 year CAC 40 return	1 year Danone return	3 year CAC 40 return	3 year Danone return
	-0.26%	0.82%	3.42%	1.24%	23.34%	10.10%	44.41%	33.61%
Beta	0.8622							
1 year treasury	0.03%							
	10 days abnormal return		**20 days abnormal return**		**1 year abnormal return**		**3 year abnormal return**	
Abnormal return	**1.04%**		**-1.72%**		**-10.02%**		**-4.69%**	

2017: Corvex Management

	10 days CAC 40 return	10 days Danone return	20 days CAC 40 return	20 days Danone return	1 year CAC 40 return	1 year Danone return	3 year CAC 40 return	3 year Danone return
	0.86%	2.77%	1.04%	4.01%	6.94%	4.16%	-0.37%	-12.94%
Beta	0.8921							
1 year treasury	-0.54%							
	10 days abnormal return		**20 days abnormal return**		**1 year abnormal return**		**3 year abnormal return**	
Abnormal return	**2.07%**		**3.14%**		**-1.97%**		**-12.56%**	

2021: Bluebell Capital Partners

	10 days CAC 40 return	10 days Danone return	20 days CAC 40 return	20 days Danone return	1 year CAC 40 return	1 year Danone return	3 year CAC 40 return	3 year Danone return
	-4.96%	3.78%	0.40%	1.89%	NA	NA	NA	NA
Beta	0.6872							
1 year treasury	-0.61%							
	10 days abnormal return		**20 days abnormal return**		**1 year abnormal return**		**3 year abnormal return**	
Abnormal return	**7.38%**		**1.81%**		**#VALUE!**		**#VALUE!**	

2021: Artison Partners

	10 days CAC 40 return	10 days Danone return	20 days CAC 40 return	20 days Danone return	1 year CAC 40 return	1 year Danone return	3 year CAC 40 return	3 year Danone return
	2.24%	8.63%	5.64%	8.26%	NA	NA	NA	NA
Beta	0.7049							
1 year treasury	-0.57%							
	10 days abnormal return		**20 days abnormal return**		**1 year abnormal return**		**3 year abnormal return**	
Abnormal return	**7.22%**		**4.45%**		**#VALUE!**		**#VALUE!**	

Figure 19. Danone Abnormal returns, from Eikon from Thomson Reuters.

ROA. As with Nestle, I performed a statistical analysis to evaluate the correlation between the activist event and the ROA performance (see Figure 20). The activist pressure was weighted based on the intensity used by the activist and its potential time effect on the KPI. The activist pressure was valued with a factor between 0 and 1. Overall, there was no positive correlation between the activism in 2012 and 2017 on the ROA performance, as the correlation showed a negative value of -0.26. Between 2010 and 2020, the ROA moved from 6.90% down to 4.06%, with ups and downs. Both activist events did not show a recovery of the levels of 2010 and 2011, and the statistical correlation highlights a negative influence as the ROA was lower with activism than without, prior to 2012. The ROA effects of the 2021 activist events will be seen in 2022. As for the abnormal stock returns of 2012 and 2017, there was no positive outcome in the mid or long term on the ROA.

These findings are partially in line with the literature, supporting the studies of Allaire and Dauphin (2015) and deHaan et al. (2018), who stated that there was no evidence that activism improves ROA performances, as opposed to Clifford (2008), Bebchuk (2013), and Bebchuk et al. (2015), who found improvements in the ROA of target companies in the three years after an activist event. Even Trian Partners, categorized as a top activist hedge fund in 2011 and an experienced activist, did not create a positive trend in the ROA, contradicting the literature that supports the idea that these activist hedge funds are more likely to improve operating performance (Boyson & Mooradian, 2012). The fact that the 2012 and 2017 activist events were not intense supports Boyson and Mooradian's (2010) findings that intense activism delivers significantly higher operating performance than any other type of activism.

	ROA	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Danone	6.90%	6.29%	5.67%	4.63%	3.66%	3.83%	4.63%	5.55%	5.35%	4.26%	4.06%
Activit Pressure		0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.1	0.2	0.2	0.2
Pearson Correlation		-0.26										

Figure 20. Danone ROA, based on Danone's annual reports, 2010–2020.

Tobin's Q. As with Nestlé, I performed a statistical analysis to evaluate the correlation between the activist event and the Tobin's Q performance (see Figure 21). The weight of the power of influence differs from the ROA, as the impact on the market capitalization of the target company is visible in the short term. The impact of the activist's pressure has been evaluated along with the combination of the intensity of activism and the length of the presence of the activist in the shareholder structure, to come to a gradual variable between 0 and 1. The results show no correlation between the activist events of 2012 and 2017 and the Tobin's Q performance, with a Pearson correlation value of 0.01. For the activist events of 2021, the first results will be seen in 2022. As per the ROA, these findings are partially supported by the literature. Allaire and Dauphin (2015) found no evidence of a correlation between activism and Tobin's Q performance, which is the opposite of the findings of Bebchuk (2013) and Bebchuk et al. (2015).

	Tobin Q	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Danone	1.68	1.67	1.76	1.94	1.9	2.15	2.22	2.06	1.88	2.01	1.74
Activit Pressure		0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.1	0.2	0.2	0.2
Pearson Correlation		0.01										

Figure 21. Danone Tobin Q, based on Danone's annual reports, 2010–2020.

Danone's performance around the activist events of 2012 and 2017 did not reveal positive structural outcomes connected to the actions of Trian Partners or Corvex Management. Based on the literature, the main reason for the failure was the lack of intensity of these two events. Quite the opposite, the short-term positive effects of the 2021 activist events were the consequence of intense communication and an aggressive list of requests.

Unilever

Abnormal Stock Returns. The Kraft Heinz activist event officially took place on February 17, 2017. At the end of January 2017, the beta of the company was 0.8227. For the risk-free rate, I considered the one-year rate of the Netherlands government at -0.45% just before the activist event. The reference data for market return was the stock exchange index of Amsterdam, the AEX index. While Unilever was also listed on London's stock exchange in 2017, this study focused on Amsterdam's quotation, as it was delisted in London in November 2020. There was a positive abnormal return at 10 days and 20 days after the activist event by 11.86% and 14.39%, respectively (see Figure 22). The abnormal return was positive by 6.35% in a one-year period and by 16.80% in a three-year period. These findings are in line with the literature, as there is a consensus of positive abnormal returns in the short term. Even if there is no evidence in the literature for the long term, Unilever's case supports the arguments of Bebchuk (2013) and Bebchuk et al. (2015), who highlighted long-term positive effects.

	10 day AEX return	10 day Unilever return	20 day AEX return	20 day Unilever return	1 year AEX return	1 year Unilever return	3 year AEX return	3 year Unilever return
	1.98%	13.42%	4.15%	17.72%	6.78%	11.65%	27.37%	39.24%
Beta	0.8227							
1 year treasury	-0.45%							
	10 days abnormal return		**20 days abnormal return**		**1 year abnormal return**		**3 year abnormal return**	
Abnormal return	**11.86%**		**14.39%**		**6.15%**		**16.80%**	

Figure 22. Unilever abnormal returns, from Eikon from Thomson Reuters.

ROA. As with Nestlé and Danone, I performed a statistical analysis to evaluate the correlation between the activist event and the ROA performance (see Figure 23). The activist pressure is weighted based on the intensity used by the activist and its potential time effect on the KPI. The activist pressure was valued with a factor between 0 and 1. Overall, there is a medium positive correlation between the activism in 2017 and the ROA performance, as the correlation showed a value of 0.33. The peak of ROA in 2018 with a ratio of 15.88%, as the study previously indicated, was the direct consequence of the 2017 divestment of the margarine business, which was itself a consequence of the internal activism previously described. The gain of the disposal— €4.33 billion—was part of the 2018 operating profits. The medium correlation was thus justified by the fact that the ROA, after the 2017 activism (except the peak in 2018), fell at similar levels to those before the activist event. These findings are in line with the literature, supporting the studies of Allaire and Dauphin (2015) and deHaan et al. (2018), which found no evidence that activism improves ROA performance, as seen in 2019 and 2020. At the same time, the 2018 peak supports Clifford (2008), Bebchuk (2013), and Bebchuk et al. (2015), who found improvements in the ROA of target companies. 3G Capital and Berkshire Hathaway are not hedge funds, but they can be considered intensive and experienced investors. The results of ROA and the categorization of the investors of Kraft Heinz partially support the studies of Boyson and Mooradian (2010, 2012). Indeed, for the ROA peak in 2018, the reputation of the investors can be interpreted as a catalyst for the performance. But it was not visible from 2019 onward. As the hostile takeover lasted only for three days, the effect of the Kraft Heinz activism on Unilever was making it a non-target company. Zhu (2013), Fos (2017) and Ganchev et al. (2018) demonstrated that firms subject to potential activism behave similarly to how to they would if they were actually targeted. Unilever falls into this category of companies, as they were officially recognized as performing internal activism after the event. The literature shows that non-target companies proactively accelerate cost and asset reductions. Unilever's case supports the literature by having reduced their marketing and sales spending by 380 bps between 2016 and 2020 and the R&D spending by 69 bps in the same period (see Appendix U). But it contradicts the literature regarding the reduction of assets, as the value increased by 19.7% between 2016 and 2020 (see Appendix V).

ROA	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Unilever	11.83%	11.16%	11.23%	12.03%	9.56%	9.56%	9.66%	10.88%	15.88%	9.56%	9.16%
Activit Pressure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.8	0.5	0.5
Pearson Correlation	0.33										

Figure 23. Unilever ROA, based on Unilever's annual reports and accounts, 2010–2020.

Tobin's Q. I performed a statistical analysis to evaluate the correlation between the activist event and Tobin's Q performance (see Figure 24). The weighing of the power of influence does not differ from the ROA, as the intensity of the hostile takeover attempt created visible impacts on short-term portfolio management and communication. The observed Pearson correlation of 0.24 showed a light positive influence of activism on the Tobin's Q performance. This was mainly driven by the increase of the market capitalization post-takeover attempt in 2017 and the disposal of the margarine business announced in 2017, as the capital employed was not reduced between 2016 and 2020 (see Appendix W). After 2017, the Tobin's Q was back to previous levels. The findings are in line with the literature, which did not find evidence of Tobin's Q improvements in the mid or long term after an activist event (Allaire & Dauphin, 2015; Goodwin, 2015; Klein & Zur, 2009), as opposed to Bebchuk (2013) and Bebchuk et al. (2015). As per the ROA, looking at Unilever as a non-target company shows findings contradictory to the literature, such as the capital employed not being reduced, which differs from the findings of Zhu (2013), Fos (2017), and Ganchev et al. (2018).

Tobin Q	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Unilever	3.72	3.92	4.1	4.47	4.61	4.12	3.59	4.84	4.07	3.96	3.6
Activit Pressure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.8	0.5	0.5
Pearson Correlation	0.24										

Figure 24. Unilever Tobin Q, based on Unilever's annual reports and accounts, 2010–2020.

Finally, Unilever's case allows for a study of the effects on both a target and non-target company. The abnormal return demonstrated positive outcomes in the short and long term, driven by the impact on the firm's communication and business resilience over the period. The expected outcomes as a target or non-target company in terms of ROA or Tobin's Q were not delivered, except for the effects of the disposal of the margarine business. This supports the conclusions of Klein and Zur (2009), Goodwin (2015), and Allaire and Dauphin (2015).

Research Question 4: What Are the Mid-and Long-Term Consequence Scenarios for These Companies?

In this part, the study uses the qualitative methodology described in Chapter 4.

Nestlé

As discussed in the previous chapter, Nestlé has been delivering strong TSR performances, increasing portfolio adjustments in value, and undergoing significant governance changes since the activist event in 2017. After all these post-activism effects, the company is currently not a target for further activism. The COVID-19 pandemic also demonstrated the high resilience of Nestlé, with its broad portfolio of brands and categories. While they do not all fit into the health and wellness approach, as Third Point LLC requested, the traditional food categories delivered strong, resilient performances in 2020. Consequently, Schneider declared in April 2021 that big divestments were behind them and that M&A activities will focus on small to mid-sized deals. The only attractive opportunity left for an activist is the 23% stake in L'Oréal, representing a value of around CHF 50 billion, for potential additional share buybacks, dividend increases, and new acquisitions. As the debt leverage has almost reached a ratio of 2, and the agenda for big divestments is closed, the possibility that Nestlé will sell its L'Oréal stake to maintain the high TSR performances is increasing. Looking at the expected free-cash flow growth in Figure 25, there is a consistent negative expected free-cash flow growth except in 2017. This means that investors value current performances of Nestlé without paying for an increase in free-cash flow. Furthermore, the Tobin's Q and the after-tax ROCE/WACC are very close between 2010 and 2018 which confirms that investors do not expect significant improvements. The gap between Tobin's Q and the after-tax ROCE/WACC for the last two years was artificially biased by the negative interests present in the WACC. In 2017, the positive impact of the activist event is evident, as it is the only year within the last decade with a positive *g* and a positive gap in favor of Tobin's Q versus after-tax ROCE/WACC. But the expectations of free-cash flow growth came back to previous levels, which means that investors do not yet value the possibility of Nestlé selling its L'Oréal stake.

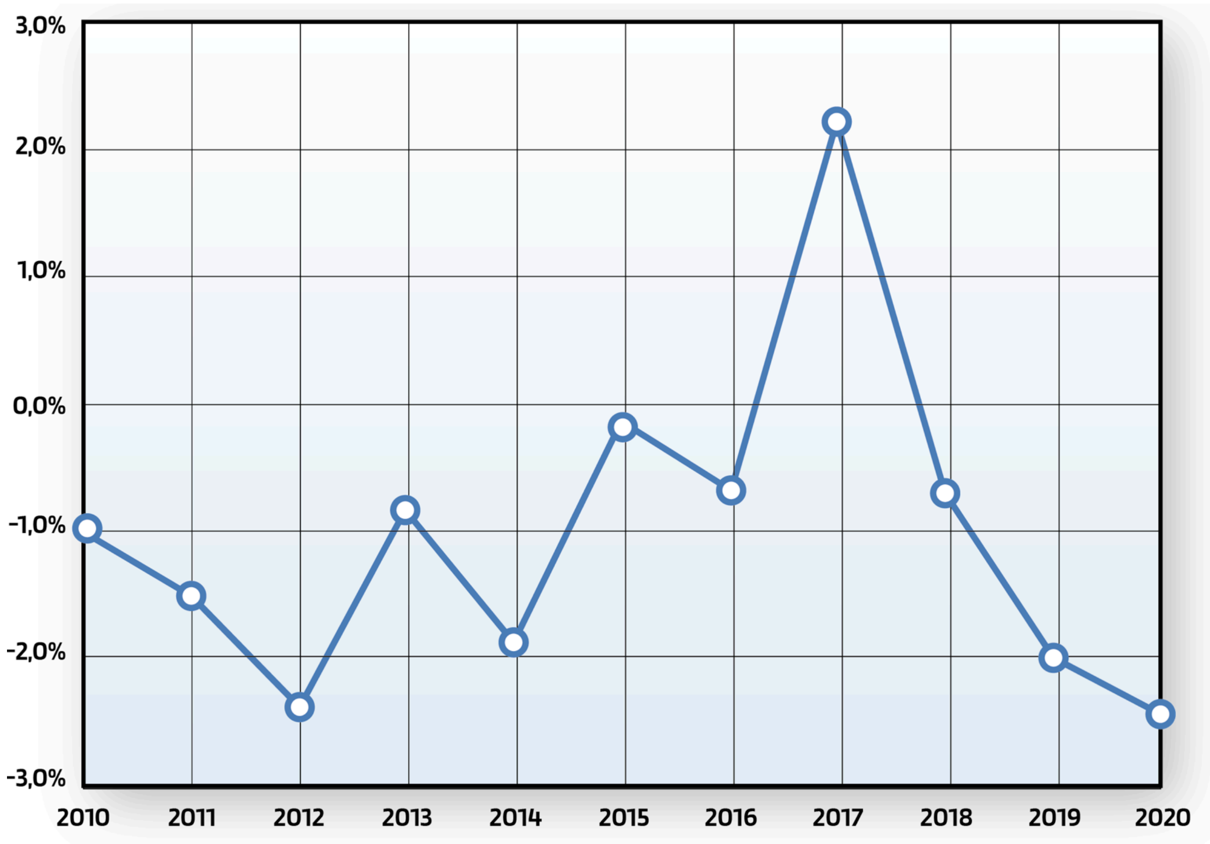


Figure 25. Nestlé's expected FCF growth, based on Nestlé's annual reports, 2010–2020 (see Appendix X).

To summarize, thanks to the positive outcomes after the activist event in 2017, the likelihood of Nestlé facing new intense activism is currently low. Investors are positively valuing the current performances of Nestlé, but do not integrate positive future outcomes. To stay on this path, the company does not have many options left except to consider its position in L'Oréal. If Nestlé does not officially move on its strategic stake at the French cosmetic company in the coming months, it might wake up activist shareholders again.

Danone

This study has demonstrated Danone's ongoing financial low performances and agency issues for the last decade. The two activist events in 2012 and 2017 did not change the negative trends. Indeed, looking at the expected free-cash-flow growth for Danone, there are constant negative expectations, despite the first two activist events, except in 2017 (see Figure 26). The Corvex Management event could have affected the temporarily low positive value of *g,* but it went to negative values from 2018 onward. Moreover, the Tobin's Q is consistently and significantly lower than the after-tax ROCE/WACC for the last decade (see Appendix Y). It shows that investors do not value current performances and do not expect positive trends to deliver free-cash-flow growth for the last decade and creates a significant negative credibility gap of the management toward investors.

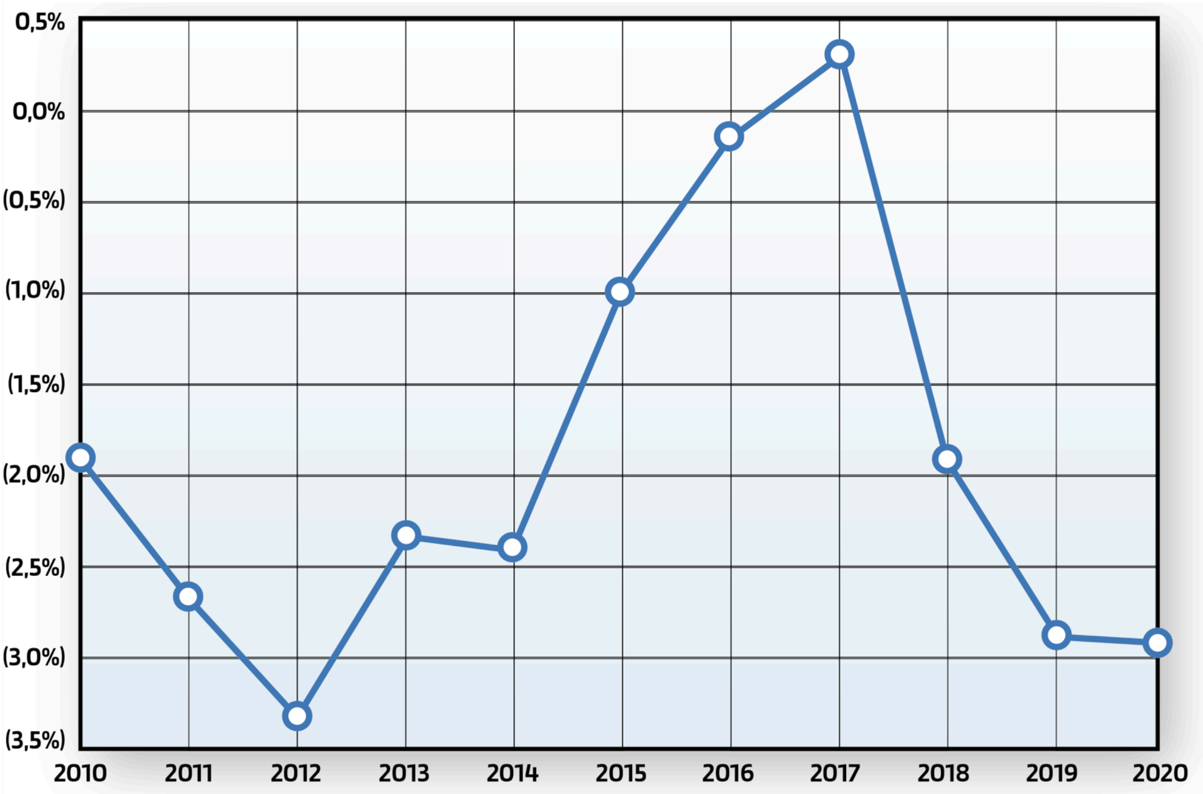


Figure 26. Danone's expected FCF growth, based on Danone's annual reports, 2010–2020 (see Appendix Y).

The high intensity of the 2021 activist events might have created positive momentum, but the necessary information for the study will be not be available until 2022. However, the literature demonstrated that one of the main causal factors of activism is agency issues. Despite Faber's exit in March 2021, and the choice of de Saint-Affrique as the new CEO, the agency issues of Danone have not been solved. The fact that Severino was in charge of recruiting the future CEO is the best example of the continuing agency problems. Indeed, despite his lead independent director role, he has had multiple private interconnections to Danone for many years and is a director at Phitrust. This Danone shareholder formally disagreed with the activist's plans. As per the findings, the current board of directors of Danone is not composed to avoid serious agency problems, and the time needed to replace the elected members is long. In the case of Nestlé or Unilever, we have seen fast improvements in financials and governance in a period of three years after an intense activist event. For Danone, because board members who are responsible for the agency issues are in charge of the future of the company, there have been no positive signs of improvement. Schnepp, the new chair, even declared that the company should continue the strategy defined by the former chair and CEO. The nomination of de Saint-Affrique is not guaranteed success. On the contrary, it looks like continuity for the current governance. In the 2020 annual report issued on April 16, 2021, Danone even recognizes some of the business relations between the company and Directors Severino and Gaymard without claiming any conflict of interests (see Appendix Z). Severino has been on the board since 2011 and Gaymard has been on the board since 2015. Why is Danone only now communicating about these relationships?

This confirms that the likelihood of seeing significant changes in governance is very low, which means that the main driver for ASs to create a positive outcome is to sell a part of the entire company or to merge the company with a competitor. In the end, with the current approach of the existing board of directors, the probability of Danone being confronted by a hostile takeover, driven by activists, increases every day.

Unilever

The internal activism of Unilever led the company to strengthen its defenses against a potential takeover by merging the headquarters to Rotterdam and to take shareholder-friendly measures such as share buyback programs, divestments, dividend increases, and target margins. Combined with a resilient business in 2020 with COVID-19, these measures have created a three-year TSR of 20% by the end of 2020 (see Figure 7a). It is above the low performers like Danone or Kraft Heinz but below high performers like Nestlé, Mondelez, or PepsiCo. With a leverage ratio already above 2, the available space for increasing the debt for additional buybacks is limited. The operating margin of Unilever is above the average of its competitors—below only Reckitt Benckiser (see Figure 17). Activists could use the gap toward Reckitt Benckiser to improve the firm's performances further, but as seen in the literature, activist requests focusing only on shareholder returns have a low probability of success. Looking at the free-cash-flow expected growth for the last decade (see Figure 28), there was a positive *g* until 2015, a negative in 2016, but a positive peak in 2017, to come back to negative from 2018 onward. The Tobin's Q was consistently above the after-tax ROCE/WACC, which means that investors positively valued Unilever's delivered performance as well as the future ones until 2017, with a negative gap in 2016, which attracted the attack from Kraft Heinz. From 2018, there is a structural negative expectation of free-cash-flow growth despite the internal activism done by the company. The negative interests and reduction of ROCE increased the gap between the Tobin's Q and the after-tax ROCE/WACC, which could potentially be a source of activism interest. In reality, it is the same phenomenon as in Nestlé: investors value current performances but not future ones. As per the findings, the company's governance has improved from its low agency risks of 2017, which means that in total, the attractivity of Unilever for activism is low. The only leftover areas where activists could potentially act is for M&A to force the company to move the portfolio to more added-value categories or to merge with a competitor. Indeed, the available €15.2 billion in cash reserves makes the company attractive as an active protagonist in consolidation of the industry. In conclusion, the fundamentals for considering Unilever as a typical future target for activism are not strong, but they do show an opportunity for M&A activism. The fact that the French press also identified Unilever as a potential bidder for Danone supports this possibility.

Unilever – Danone – Nestlé – Unilever – L'Oréal – Henkel – Beiersdorf

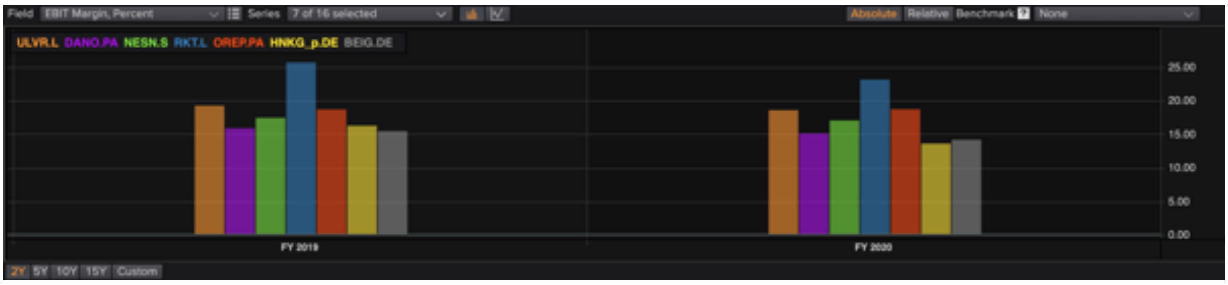


Figure 27. EBIT Margin benchmark, from Thomson Reuters Eikon.

Figure 28. Unilever's expected FCF growth, based on Unilever's annual reports and accounts 2010–2020 (see Appendix AA).

Chapter 6: Conclusions, Implications, Limitations, and Future Research

Conclusion

The phenomenon of activist shareholders has been increasing its influence over the past years in Europe, especially in the food industry. The reasons for the increasing influence are multifactorial, from the increase of institutional ownerships and proxy advisors to changes in the SEC rules. This has opened the door for small investment firms like hedge funds, mainly located in the United States, to do activism. This study has demonstrated that the selected companies—Nestlé, Danone, and Unilever—had a majority of the characteristics that defined them as typical target companies. Nestlé, with its low TSR and ROA performance compared to peers and unbalanced composition of the board of directors fit a target company's profile. With continuous underperforming TSR, ROA, and Tobin's Q ratios for the last decade and serious agency issues, Danone is the most typical example of a target firm for activists. Despite not having agency issues, Unilever had a lower TSR than its peers and declining ROA and Tobin's Q since 2015. These findings support the literature on the characteristics of potential target companies. Regarding the post-activism effects, the study highlighted different findings for each selected company. Generally, as per the literature, Nestlé and Unilever have been delivering positive abnormal returns since the activist events, but Danone did not after the first two activist events. From a short-term perspective, Danone is facing positive abnormal returns as a consequence of the events of 2021. The common denominators for the positive abnormal returns are the combination of the high intensity of activism and the reputation of the activist's shareholders. In 2012, Trian Partners did not practice intense activism with Danone, and in 2017, Corvex Management did not have the reputation, background, or the intensity to create any positive outcomes. In the case of Nestlé and Unilever, and with Danone for the 2021 events, the activism was with high intensity, multidimensional, and by highly experienced investing firms. In the case of Third Point LLC and Artisan Partners, the "golden leash" Jan Bennink contributed to increasing the credibility of the activist hedge funds. This correlation between intensity, multidimensional requests, experience, and positive outcomes also supports the literature that looks at these connections. Indeed, it seems essential to integrate qualitative data when researching the AS phenomenon. The pure quantitative studies tend to demonstrate on absolute terms, with a considerable quantity of samples, only if the phenomenon is favorable or not for the company. Obviously, some studies have demonstrated the positive effects and others the adverse effects. In this case, with a restricted sample and a combination of qualitative and quantitative approaches, this study demonstrates the causalities of success or failure.

To contribute to the open debate between opponents and proponents about the virtue of activism, this study's literature review reveals that there is no consensus among researchers about whether it creates value in the mid and long term or not. In the case of the selected companies, this study demonstrates the positive financial effects in the case of Nestlé and Unilever and the absence of positive outcomes until 2021 for Danone. An additional positive input observed in this study was the consequences of activism for the boards of directors. Nestlé has definitely improved its expertise and independence of its board members, as has Unilever. Regarding Danone, the positive aspects of the activist events of 2021 are the findings that the composition of the board of directors was not considered capable of improving the company's performance by the activists. This study agrees with this last statement, and it even goes further, as the findings clearly show a board organization that can be considered totally inappropriate. Looking forward, this study provides keys of understanding about what the selected companies can expect from short- and mid-term perspectives. With its positive post-activism outcomes, Nestlé should not be considered a potential target for additional activism, even though to stay on its path, the firm can still utilize its L'Oréal stake. Unilever is sitting between Nestlé and Danone. Its post-activism financial performance is positive but not best in class, and its governance is resilient. The company is not totally protected against a new activist campaign, mainly due to its high availability of cash, which could be attractive to force a merger or an acquisition. Regarding Danone, the picture is less optimistic. Indeed, the activist events of Bluebell Capital and Artisan Partners have created positive outcomes in the short term. Still, the agency issues found in the board of directors illustrate a problematic structural situation, and several years of actions will be needed to solve the problem. Further positive outcomes for Danone will depend on the patience the activists have to try to reorganize its governance. If it takes too much time, the only leftover solutions for activists are the dismantling or acquisition of the company by a competitor.

Implications

This study contributes to the literature by qualifying the phenomenon of ASs according to each activist event. As observed in the literature and in the analysis of the selected companies, there is no absolute truth about whether activism is positive or negative for target companies. Each activist event is unique. The potential success depends on many factors, such as the intensity and the multidimensionality of the campaign, the experience and credibility of the AS, and the quality of governance of the target company. Following the factors observed in this study and their consequences for an activist event, managers in the food industry can transfer the outcomes to understand and predict the dynamics of activism to their reality. The transferability is also relevant due to the leadership roles the selected companies play in the food industry. Even though generalization requires a lot of caution, it seems that what was observed in the food industry may be relevant for other businesses at least in two areas:

1) When information on board members is not reliable and looks incomplete, it suggests potential mismanagement which might attract investors who could find upside potential by simply improving board and top management decision processes;
2) Some financial metrics, such as declining credibility (Tobin's Q) or negative implicit growth of FCF, might be, across industries, early warning signals of attractiveness for activist shareholders.

Of course, as we demonstrated in this research, these questions must be confronted with the specific business contexts.

Limitations and Future Research

The first limitation of the study is the choice of focusing on a small sample of companies, despite their benchmark role for the industry. The second limitation is the limited observation time for the 2021 activist events on Danone. Indeed, this study was completed only a few weeks after these two events. Consequently, future research can focus on the mid- and long-term effects of the Danone campaigns and the integration of different companies like Pernod Ricard and Campbell's Soup as target companies and on all other competitors as non-target companies.

References

Abboud, L. (2021a, January 18). Activist fund Bluebell Capital takes aim at Danone. *Financial Times*. https://www.ft.com/content/2df158fb-357a-499a-b51c-025b4f1d5c97

Abboud, L. (2021b, May 17). Danone picks Antoine de Saint-Affrique as new chief executive. *Financial Times*. https://www.ft.com/content/2d8494cb-ed00-4bdd-9e9b-1fa295ef109e

Agnew, H. (2018, February 16). Danone confident of higher sales and profit. *Financial Times*. https://www.ft.com/content/5b209da8-1305-11e8-8cb6-b9ccc4c4dbbb

Ail, P. (2012, November 7). Activist investor Nelson Peltz buys 1 percent stake in Danone. *Financial Times*. https://www.reuters.com/article/uk-danone-peltz-idUKBRE8A605E20121107

Allaire, D., & Dauphin, F. (2014, July 17). “Activist” hedge funds: Creators of lasting wealth? What do the empirical studies really say*? Institute for Governance of Private and Public Organizations*. http://igopp.org/wp-content/uploads/2014/07/IGOPP_Article_Template2014_Activism_EN_v6.pdf

Allaire, D., & Dauphin, F. (2015). The game of “activist” hedge funds: *Cui bono? International Journal of Disclosure and Governance, 13*(4), 279–308. https://doi.org/10.1057/jdg.2015.18

Augustin, M. (2010, June 26). Le fondateur de Danone à quai [The founder of Danone at the quayside]. *Lyon Info*. http://www.lyon-info.fr/?Le-fondateur-de-Danone-a-quai

Auronen, L. (2003, May 21). *Asymmetric information: Theory and applications* [Unpublished manuscript]. Department of Industrial Engineering and Management, Helsinki University of Technology. http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.198.9252&rep=rep1&type=pdf

Barber, L., & Daneshkhu, S. (2017, December 3). Paul Polman: How I fended off a hostile takeover bid. *Financial Times*. https://www.ft.com/content/76cddc3e-d42e-11e7-a303-9060cb1e5f44

Basini, B., & Nicot, M. (2013, June 9). Nelson Peltz quitte Danone [Nelson Peltz quits Danone]. *Le Journal du Dimanche*. https://www.lejdd.fr/Economie/Entreprises/Nelson-Peltz-quitte-Danone-612396-3200876

Bebchuk, L. (2013, August 6). The myth of hedge funds as “myopic activists.” *The Wall Street Journal*. https://www.wsj.com/articles/SB10001424127887323309404578614004210782388

Bebchuk, L. A., Brav, A., & Jiang, W. (2015). The long-term effects of hedge fund activism. *Columbia Law Review, 115*(5), 1085–1155. http://dx.doi.org/10.2139/ssrn.2291577

Bebchuk, L. A., Brav, A., Jiang, W., & Keusch, T. (2017). Dancing with activists. *Journal of Financial Economics, 137*(1), 1–41. http://doi.org/10.2139/ssrn.2948869

Becht, M., Franks, J., Grant, J., & Wagner, H. (2017). Returns to hedge fund activism: An international study. *Review of Financial Studies, 30*(9), 2933–2971. https://doi.org/10.1093/rfs/hhx048

Becht, M., Franks, J. R., Mayer, C., & Rossi, S. (2009). Returns to shareholder activism: Evidence from a clinical study of the Hermes U.K. Focus Fund. *Review of Financial Studies, 22*(8), 3093–3129. http://doi.org/10.1093/rfs/hhn054

Berthon, F. (2021, March 17). Danone marque une pause dans les nominations à son co'seil d'administration [Danone pauses in appointments to its board of directors]. *Agefi-Dow Jones*. https://investir.lesechos.fr/actions/actualites/danone-marque-une-pause-dans-les-nominations-a-son-conseil-d-administration-1954085.php

Black, J., Reetun, J., & O'Donnell, E. (2020, February 19). The activist investing annual review 2020. Harvard Law School Forum on Corporate Governance. https://corpgov.law.harvard.edu/2020/02/19/the-activist-investing-annual-review-2020/

Bonazzi, L., & Islam, S. M. N. (2007). Agency theory and corporate governance: A study of the effectiveness of board in their monitoring of the CEO. *Journal of Modelling in Management, 2*(1), 7-23. https://doi.org/10.1108/17465660710733022

Booth, J. (2021, February). The new normal. In *The activist investing annual review: The eighth annual review of trends in shareholder activism* (pp. 8–9). Insightia Intelligent Analytics.

Boudet, A. (2021, May 11). Le successeur d'Emmanuel Faber chez Danone sur le point d'être choisi [Emmanuel Faber's successor at Danone about to be chosen]. *Les Echos*. https://www.lesechos.fr/industrie-services/conso-distribution/le-successeur-demmanuel-faber-chez-danone-sur-le-point-detre-choisi-1314462

Boyson, R. M., & Mooradian, N. M. (2010). Intense hedge fund activists. *SSRN Electronic Journal*. http://doi.org/10.2139/SSRN.1571728

Boyson, R. M., & Mooradian, N. M. (2012, January 6–8). *Experienced hedge fund activists* [Paper presentation]. American Finance Association Annual Meeting, Chicago, IL, United States.

Branche, D., & De Guerre, O. (2021, February 16). Danone, is the situation so acute for minority shareholders? *Phitrust*. https://www.phitrust.com/en/press-release-danone-is-the-situation-so-acute-for-minority-shareholders/

Branche, D., & De Guerre, O. (2021, March 3). Danone, is there a hidden agenda? *Phitrust*. https://www.phitrust.com/en/press-release-danone-is-there-a-hidden-agenda/

Brav, A., Jiang, W., & Kim, H. (2013). The real effects of hedge fund activism: Productivity, asset allocation, and industry concentration. *The Review of Financial Studies, 28*(10), 2723–2769. https://doi.org/10.1093/rfs/hhv037

Brav, A., Jiang, W., Ma, S., & Tian, X. (2015, May 21). *Shareholder power and corporate innovation: Evidence from hedge fund activism* [Unpublished manuscript]. http://www.israeli-corporate-governance.org/files/Dec2015/Brav.pdf

Brav, A., Jiang, W., Partnoy, F., & Thomas, R. (2008). Hedge fund activism, corporate governance, and firm performance. *Journal of Finance, 63*(4), 1729–1775. https://doi.org/10.1111/j.1540-6261.2008.01373.x

Briere, M., Pouget, S., & Ureche, L. (2018, March 13). *BlackRock vs Norway Fund at shareholder meetings: Institutional investors' votes on corporate externalities* [Unpublished manuscript]. http://dx.doi.org/10.2139/ssrn.3140043

Chaudhuri, S. (2017, June 25). Daniel Loeb's activist hedge fund Third Point takes $3.5 billion stake in Nestlé. *The Wall Street Journal.* https://www.wsj.com/articles/dan-loebs-activist-hedge-fund-third-point-takes-3-5-billion-stake-in-nestle-1498427619

Chaudhuri, S., & Dummet, B. (2017, February 19). Kraft Heinz Withdraws $143 billion offer for Unilever. *The Wall Street Journal*. https://www.wsj.com/articles/kraft-heinz-withdraws-143-billion-offer-for-unilever-1487527607

Christie, A. (2017). *Hedge fund activism and the market for corporate quasi-control.* [University of Cambridge Faculty of Law Research Paper No. 51/2017]. https://ssrn.com/abstract=3066877

Clifford, C. P. (2008). Value creation or destruction? Hedge funds as shareholder activists. *Journal of Corporate Finance, 14*(4). http://dx.doi.org/10.2139/ssrn.971018

Coffee, J. C., Jr. (2006). *Gatekeepers: The professions and corporate governance*. Oxford University Press.

Coffee, J. C., Jr. (2017). *The agency cost of activism: Information leakage, thwarted majorities, and the public morality* (European Corporate Governance Institute (ECGI) Law Working Paper No. 373).

Coffee, J. C., Jr., & Palia, D. (2014). *The impact of hedge fund activism: Evidence and implications* (European Corporate Governance Institute (ECGI) Law Working Paper No. 266/2014; Columbia Law and Economics Working Paper No. 489).

Coffee, J. C., Jr., & Palia, D. (2016). *The wolf at the door: The impact of hedge fund activism on corporate governance* (Columbia Law and Economics Working Paper No. 521).

Cohen, H. R. (2017, February 23). Preparing for an activist shareholder challenge. *ABA Banking Journal.* https://bankingjournal.aba.com/2017/02/preparing-for-an-activist-shareholder-challenge/

Mitch Collett, John Ennis, Smiti Sahoo, Natasha de la Grense (2016), "Dear Dr. Schneider: Three steps to SFr300 bn; up to Buy". Goldman Sachs Research Note.

Colvin, G. (2017, January 19). How Kraft Heinz plans to build a new global food giant. *Fortune.* https://fortune.com/longform/kraft-heinz-merger-3g-capital/

Corporate and Business Registration Department, Republic of Mauritius. (n.d.). *Information about I&P Afrique entrepreneurs.* https://companies.govmu.org:4343/MNSOnlineSearch/GetCompanies

Credit Suisse Board of Directors. (2021). *Credit Suisse.* https://www.credit-suisse.com/ch/en/unternehmen/unternehmen-unternehmer/kmugrossunternehmen/andreas-koopmann.html

Cyriac, J., De Backer, R., & Sanders, J. (2014). Preparing for bigger, bolder shareholder activists. *McKinsey & Company*. https://www.mckinsey.com/~/media/McKinsey/Business%20Functions/Strategy%20and%20Corporate%20Finance/Our%20Insights/Preparing%20for%20bigger%20bolder%20shareholder%20activists/Preparing%20for%20bigger%20bolder%20shareholder%20activists.pdf

Daneshkhu, S. (2013, February 19). Danone cuts 900 jobs as it fights downturn. *Financial Times.* https://www.ft.com/content/1099111a-7a72-11e2-9cc2-00144feabdc0

Daneshkhu, S. (2018, March 22). Unilever shareholder balks at London HQ move to Rotterdam. *Financial Times.* https://www.ft.com/content/b7b4646c-2df6-11e8-9b4b-bc4b9f08f381

Danone. (2011). *Registration document, Annual financial report 2011.* https://www.danone.com/content/dam/danone-corp/danone-com/about-us-impact/publications/en/2012/2011%20REGISTRATION%20DOCUMENT.pdf

Danone. (2012a, December 13). *Danone prepares a plan to generate savings and regain its competitive edge in Europe* [Press release]. https://www.danone.com/content/dam/danone-corp/danone-com/investors/en-all-publications/2012/pressreleases/2012-12-13-December-13-2012-ENG.pdf

Danone. (2012b). *Registration document. Annual financial report 2012.* https://www.danone.com/content/dam/danone-corp/danone-com/investors/en-all-publications/2012/registrationdocuments/DANONE_DDR_2012_VA.pdf

Danone. (2020, May 20). *Update on 2020 Annual General Meeting.* https://www.danone.com/content/dam/danone-corp/danone-com/investors/en-all-publications/2020/pressreleases/Danone_PR_20_05_2020.pdf

Danone. (2021a, March 1). *Danone's board of directors confirms unanimous support for Emmanuel Faber, who proposes the separation of chairman and CEO roles* [Press release]. https://www.danone.com/content/dam/danone-corp/danone-com/investors/en-all-publications/2021/pressreleases/PR_Danone_030121.pdf

Danone. (2021b, March 15). *New governance at Danone Emmanuel Faber steps down as chairman and CEO; Gilles Schnepp appointed non-executive chairman* [Press release]. https://www.danone.com/content/dam/danone-corp/danone-com/investors/en-all-publications/2021/pressreleases/PR_Danone_15032021.pdf

Danone S. A.: Lionel Zinsou-Derlin. (2021, December 10). *The Wall Street Journal.* https://www.wsj.com/market-data/quotes/GPDNF/company-people/executive-profile/61125598

David, R., Deveau, S., & Hammond, E. (2017, August 15). Activist fund Corvex targets undervalued yogurt maker Danone. *Bloomberg*. https://www.bloomberg.com/news/articles/2017-08-14/danone-is-said-to-be-targeted-by-activist-corvex-as-undervalued

Davis, G. F., & Kim, E. H. (2005). Business ties and proxy voting by mutual funds. *Journal of Economics, 85*(2), 552–570. https://doi.org/10.1016/j.jfineco.2005.04.003

deHaan, E., Larcker, D. F., & McClure, C. (2018). Long-term economic consequences of hedge fund activist interventions. *Review of Accounting Studies, 24*(2), 536–569. http://dx.doi.org/10.2139/ssrn.3260095

De Kerdrel, Y. (2021, March 3). La nouvelle gouvernance de Danone est déjà entanchée [Danone’s new governance has already been established]. *WanSquare.* https://www.wansquare.com/012-31872-La-nouvelle-gouvernance-de-Danone-est-deja-entachee.html?uid=6f5eede31b08f3c910271e4483b943ac

Edgecliffe-Johnson, A. (2018, February 17). Unilever chief admits Kraft Heinz bid forced compromises. *Financial Times.* https://www.ft.com/content/ea0218ce-1be0-11e8-aaca-4574d7dabfb6

Elder, B., Fontanella-Khan, J., & Massoudi, A. (2017, February 17). Unilever rejects $143bn Kraft Heinz takeover bid. *Financial Times*. https://www.ft.com/content/e4afc504-f47e-11e6-8758-6876151821a6

Faits et documents (2014, n°379)Fondation Pour L’Études et Recherches sur le Développement International. (n.d.). *Governance.* https://ferdi.fr/en/ferdi/Governance

Foldesy, J., DiGrande, S., & Olsen, E. (2016, February 25). Shareholder activism in Silicon Valley. *Boston Consulting Group.* https://www.bcg.com/en-ch/publications/2016/corporate-development-hardware-software-shareholder-activism-silicon-valley

Fontaine, C., Haarman, A., & Schmid, S. (2006, December). *The stakeholder theory* [Unpublished manuscript]. https://docs.google.com/viewer?a=v&pid=sites&srcid=ZGVmYXVsdGRvbWFpbnxlZHNnbnNvY2VzaGlwfGd4OjI4MzcxNmUxZTZmMTQzYTI

Fos, V. (2017). The disciplinary effects of proxy contests. *Management Science, 63*(3), 655–671. https://doi.org/10.1287/mnsc.2015.2340

Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Pitman.

Ganchev, N., Gredil, O., & Jotikasthira, C. (2018). *Governance under the gun: Spillover effects of hedge fund activism* (European Corporate Governance Institute (ECGI) – Finance Working Paper No 562/2018).

Geller, M., & Barbaglia, P. (2017, February 17). Kraft Heinz bids $143 billion for Unilever in global brand grab. *Reuters.* https://www.reuters.com/article/us-unilever-m-a-kraft-idUSKBN15W18Y

Geller, M., & Pratap, B. (2017, August 14). Activist fund Corvex has $400 million stake in Danone: Bloomberg. *Reuters.* https://www.reuters.com/article/us-danone-stake-corvex-idUKKCN1AU27C

Gelter, M., & Puaschunder, J. M. (2021). *COVID-19 and comparative corporate governance* (Fordham Law Legal Studies Research Paper No. 3772965).

Girard, L. (2021, April 22). Danone: Le choix du successeur d'Emmanuel Faber est imminent [Danone: The choice of Emmanuel Faber's successor is imminent]. *Le Monde.* https://www.lemonde.fr/economie/article/2021/04/22/danone-le-choix-du-successeur-d-emmanuel-faber-est-imminent_6077649_3234.html

Grewal, J., Serafeim, G., & Yoon, A. (2016, July). *Shareholder activism on sustainability issues* (Harvard Business School Working Paper, No. 17-003). http://dx.doi.org/10.2139/ssrn.2805512

Goodwin, S. (2015). *Corporate governance and hedge fund activism* [Unpublished manuscript]. http://dx.doi.org/10.2139/ssrn.2646293

Gottfried, K. E. (2020, November 30). Preparing for shareholder activism in the wake of COVID-19. *Harvard Law School Forum on Corporate Governance.*

Gwynn, S. (2017, November 24). Unilever begins preparations for exit of chief executive Paul Polman. *Campaign Live.* https://www.campaignlive.co.uk/article/unilever-begins-preparations-exit-chief-executive-paul-polman/1451098

Harkiolakis, N. (2017). *Quantitative research methods: From theory to publication*. CreateSpace Independent Publishing Platform.

Heer, J. (1991). *Nestlé cent vingt-cinq ans de 1866 à 1991* [Nestlé 125 years: 1866 to 1991]. Nestlé SA.

Helliker, K. (2018). *Europe courts Marty Lipton* [Interview]. https://www.brunswickgroup.com/marty-lipton-lawyer-i7277/

Hirst, S. (2018). Universal proxies. *Yale Journal on Regulation, 35(2).* https://digitalcommons.law.yale.edu/yjreg/vol35/iss2/3

Jacquet, D. (1998, June). Trente annees de politique financiere de Danone au service de sa strategie industrielle [30 years of Danone's financial policy in the service of its industrial strategy]. *Annale des mines,* 56–70.

Jean-Michel Severino. (2004, May 13). *Les Echos.* https://www.lesechos.fr/2004/05/jean-michel-severino-638318

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305–360. https://doi.org/10.1016/0304-405X(76)90026-X

Jones, A. (2005, July 20). French pledge to defend Danone. *Financial Times.* https://www.ft.com/content/d767f5e6-f93c-11d9-81f3-00000e2511c8

Jory, S., Ngo, T., & Susnjara, J. (2016). The effect of shareholder activism on bondholders and stockholders. *Quarterly Review of Economics and Finance, 66,* 328–344. http://doi.org/10.1016/j.qref.2017.04.004

Kar-Gupta, S., Protard, M., & Vidalon, D. (2021, February 17). Artisan Partners urges France's Danone to split some businesses. *Reuters.* https://www.reuters.com/article/us-danone-artisan-idUSKBN2AH0V2

Khorana, A., Shivdasani, A., & Sigurdsson, G. (2017). The evolving shareholder activist landscape. *Journal of Applied Corporate Finance, 29*(3), 8–17. http://dx.doi.org/10.1111/jacf.12245

Klein, A., & Zur, E. (2009). Entrepreneurial shareholder activism: Hedge funds and other private investors. *The Journal of Finance, 64*(1), 187–229. https://doi.org/10.1111/j.1540-6261.2008.01432.x

Klein, A., & Zur, E. (2011). The impact of hedge fund activism on the target firm' s existing bondholders. *The Review of Financial Studies, 24*(5), 1735–1771. https://doi.org/10.1093/rfs/hhr016

Kraik, A. T. (2019). Environmental, social, and governance issues: An altered shareholder activist paradigm. *Vermont Law Review, 44,* 493–552. https://lawreview.vermontlaw.edu/wp-content/uploads/2020/06/04-Kraik.pdf

Krishnan, C., Partnoy, F., & Thomas, R. S. (2015). Top hedge funds and shareholder activism. *Journal of Corporate Finance, 40,* 296–314. http://doi.org/10.2139/ssrn.2589992

Lapoix, S. (2011, August 2). Bruno Bonnell, Pdg de Robopolis: Le retour gagnant de l'ami des robots [Bruno Bonnell, CEO of Robopolis: The winning return of the robot friend]. *Capital.* https://www.capital.fr/entreprises-marches/bruno-bonnell-pdg-de-robopolis-le-retour-gagnant-de-l-ami-des-robots-617081

Lazard. (2018, January). *2017 activism year in review.* https://www.lazard.com/media/450414/lazards-review-of-shareholder-activism-q4-2017pdf.pdf

Lipton, M. (2015a, January 14). The threat to shareholders and the economy from activist hedge funds. *Harvard Law School Forum on Corporate Governance.* https://corpgov.law.harvard.edu/2015/01/14/the-threat-to-shareholders-and-the-economy-from-activist-hedge-funds/

Lipton, M. (2015b, April 11). Further recognition of the adverse effects of activist hedge funds. *Harvard Law School Forum on Corporate Governance.* https://corpgov.law.harvard.edu/2015/04/11/further-recognition-of-the-adverse-effects-of-activist-hedge-funds/

Mauduit, L. (2006, January 30). Villepin offre à Danone une pilule empoisonnée [Villepin offers Danone a poison pill]. *Le Monde.* https://www.lemonde.fr/economie/article/2006/01/30/villepin-offre-a-danone-une-pilule-empoisonnee_735941_3234.html

Megaw, N. (2017, February 17). Unilever "sees no merit" in Kraft Heinz offer. *Financial Times.* https://www.ft.com/content/d73cb5fa-c326-3733-a13a-a5bc7e8a18da

McCrum, D. (2012, November 6). Activist investor Peltz to take on Danone. *Financial Times.* https://www.ft.com/content/12492d04-2812-11e2-afd2-00144feabdc0

Modigliani, F., & Miller, M. H. (1958). The cost of capital, corporation finance and the theory of investment. *The American Economic Review, 48*(3), 261–297.

Morley, J. D. (2019). Too big to be activist. *Southern California Law Review, 92*(6), 1407–1454. https://southerncalifornialawreview.com/2019/09/01/too-big-to-be-activist-article-by-john-d-morley/

Mueller, R., Ising, B., & Briggs, A. (2018, August 2). Shareholder proposal developments during the 2018 proxy season. *Harvard Law School Forum on Corporate Governance.* https://corpgov.law.harvard.edu/2018/08/02/shareholder-proposal-developments-during-the-2018-proxy-season/

O'Keefe, D. J., & Samra, N. D. (2021, February 11). Letter from Artisan Global Value Strategy and Artisan International Value Strategy to Gilles Schnepp, lead independent board member elect at Danone, Inc. *PR Newswire.* https://www.prnewswire.com/news-releases/letter-from-artisan-global-value-strategy-and-artisan-international-value-strategy-to-gilles-schnepp-lead-independent-board-member-elect-at-danone-inc-301226405.html

Olympique Lyonnais Groupe. (2021, December 10). *The Wall Street Journal.* https://www.wsj.com/market-data/quotes/FR/XPAR/OLG/company-people/executive-profile/79812424

Pollman, E. (2019, November 2). Corporate social responsibility, ESG, and compliance. *Loyola Law School, Los Angeles Legal Studies* [Research Paper No. 2019-35]. http://dx.doi.org/10.2139/ssrn.3479723

Protard, M. (2021, March 18). Danone's new chairman says will stick to organisational changes. *Reuters*. https://www.reuters.com/article/us-danone-management-idUSKBN2BA1J6

Ratier, E. (2011). *Au coeur du pouvoir: Enquête sur le club le plus puissant de France* [At the heart of power: Investigation of the most powerful club in France]. Facta.

Rea, L. M., & Parker, R. A. (2014). *Designing and conducting survey research: A comprehensive guide.* Jossey-Bass.

Riboud, A. (1972, October 25). *Discours d'Antoine Riboud (PDG de Danone) aux assises nationales du CNPF le 25 octobre 1972 à Marseille* [Speech by Antoine Ribaud (CEO of Danone) at the National Conference of the CNPF on October 25, 1972, in Marseille]. https://go-management.fr/wp-content/uploads/2016/07/Discours-dAntoine-Riboud-aux-Assises-nationales-du-CNPF-le-25-octobre-1972-%C3%A0-Marseille.pdf

Ross, S. A. & Mitnick, B. (1973). The economic theory of agency: The principal's problem. *The American Economic Review, 63*(2), 134–139. https://www.aeaweb.org/aer/top20/63.2.134-139.pdf

Sharma, A. (2017, April 13). Unilever gives internal activism a shot. *The Motley Fool. https://www.fool.com/investing/2017/04/13/unilever-gives-internal-activism-a-shot.aspx*

Sherratt, R. (2021, February). Staying in the fight. In *The activist investing annual review: The eighth annual review of trends in shareholder activism* (pp. 12–13). Insightia Intelligent Analytics.

6e edition de la Danone Cup à Lyon [6th edition of the Danone Cup in Lyon]. (2005, June 21). *Olympique Lyonnais.* https://www.ol.fr/fr-fr/contenus/articles/2005/06/21/6e-edition-de-la-danone-nations-cup-a-lyon-3428

Slawotsky, J. (2016). The virtues of shareholder value driven activism: Avoiding governance pitfalls. *Hastings Business Law Journal, 12*(3/4).

Smith. H. J. (2003). The shareholders vs the stakeholders debate. *MITSloan Management Review, 44*(4), 84–90. https://sloanreview.mit.edu/wp-content/uploads/2003/07/b966946aae.pdf

Spatt, C. S. (2019, June 25). Proxy advisory firms, governance, market failure, and regulation. *Harvard Law School Forum on Corporate Governance.* https://corpgov.law.harvard.edu/2019/06/25/proxy-advisory-firms-governance-failure-and-regulation/

Statements of changes in beneficial ownership of securities. (2016). *SEC Report.* https://sec.report/CIK/0001033927

Swanson, E., & Young, G. L. (2017). Are activist investors good or bad for business? Evidence from capital market prices, informed traders, and firm fundamentals. *Social*

Science Research Network. https://aaahq.org/Portals/0/documents/PR/Are%20Activist%20Investors%20Good%20or%20Bad%20for%20Business.pdf

Trian Partners. (2017, September 6). *Revitalize P&G together: Vote the white proxy card.* https://trianpartners.com/wp-content/uploads/2017/01/Trian-PG-White-Paper-9.6.17-1.pdf

Unilever. (2017, April 6). *Accelerating sustainable shareholder value creation* [Press release]. https://www.unilever.com/news/press-and-media/press-releases/2017/accelerating-sustainable-shareholder-value-creation/

Unilever. (2018, March, 15). *Building the Unilever of the future* [Press release]. https://www.unilever.com/news/press-and-media/press-releases/2018/building-the-unilever-of-the-future/

Unilever and a growing UK shareholder revolt: Relocation plan looks like a nil-premium takeover by the Dutch arm. (2018, September 18). *Financial Times.* https://www.ft.com/content/29152796-ba6e-11e8-8274-55b72926558f

Unilever rejects $143 bln Kraft offer as bid too low. (2017, February 17). *Reuters.* https://www.reuters.com/article/unilever-ma-kraft-statement-idUKFWN1G20NF

Vidalon, D. (2020, October 16). Danone board working on plan to adapt to new challenges. *Reuters.* https://www.reuters.com/article/danone-restructuring-idUKL8N2H7396

Vidalon, D. (2020, December 14). France's Danone appoints new board members, boosts COVID crisis oversight. *Reuters.* https://www.reuters.com/article/us-danone-governance-idUSKBN28O0MM

Vidalon, D., & Michelson, M. (2007, April 5). Infogrames shares shine after chairman leaves. *Reuters.* https://www.reuters.com/article/idUSL0528123220070405

Villeurbanne: Collomb soutient finalement Bonnell et Haziza (et réciproquement) [Villeurbanne: Collomb ultimately supports Bonnell and Haziza (and vice versa)]. (2020, March 6). *Lyon Mag.* https://www.lyonmag.com/article/106068/villeurbanne-collomb-soutient-finalement-bonnell-et-haziza-et-reciproquement

White & Case. (2016. November 22). *White & Case advises banks on financing of Danone's acquisition of WhiteWave* [Press release]. https://www.whitecase.com/news/white-case-advises-banks-financing-danones-acquisition-whitewave

Yin, R. K. (2003). *Case study research: Design and methods* (3rd ed.). Sage Publications.

Yin, R. K. (2018). *Case study research and applications* (6th ed.). Sage Publications.

Zhu, H. (2013, November). *The preventive effect of hedge fund activism* [Unpublished manuscript]. Fuqua School of Business, Duke University. https://www.activistinsight.com/research/The%20Preventive%20Effect%20of%20Hedge%20Fund%20Activism_150915120947.pdf

Appendix A: Third Point Letter to Nestlé

THIRD POINT

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

June 25, 2017

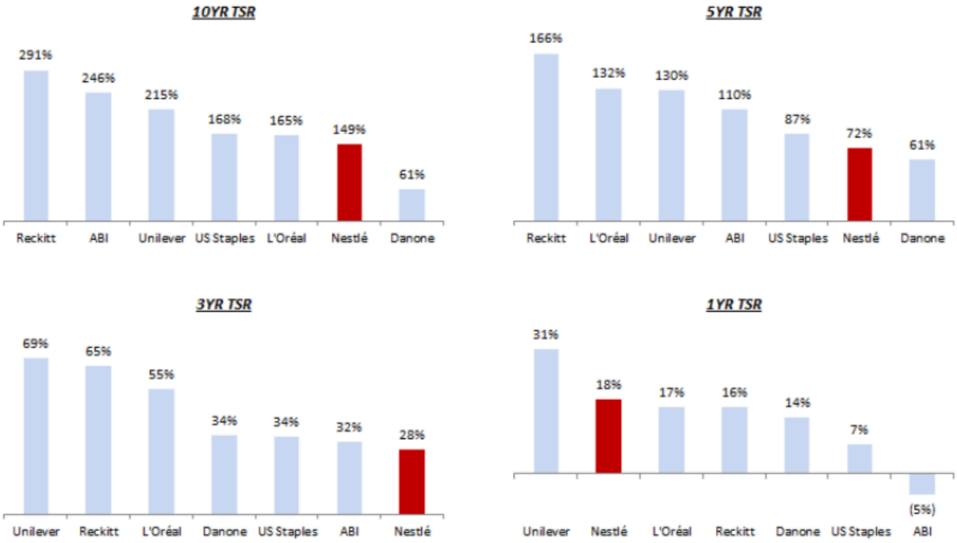
Dear Investor:

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



Note: Data through 6/23/2017; US Staples represented by XLP Consumer Staples Index

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 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.

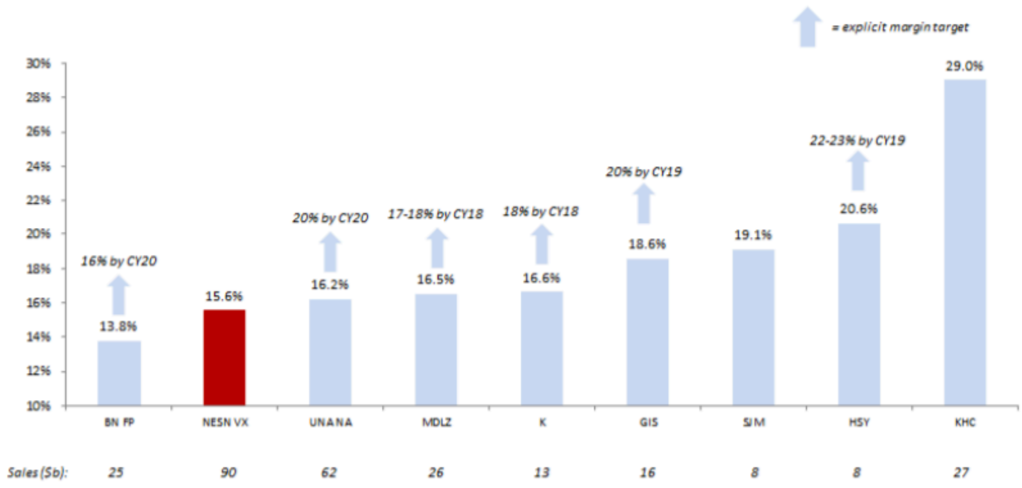
Jan has direct operating experience in four of Nestlé's key categories: coffee, baby food, medical nutrition, and dairy, as well as an unimpeachable record of substantial shareholder value creation. He brings deep expertise in packaged goods, which greatly enhanced our due diligence process and gives 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



Note: Smucker and Kraft Heinz all have productivity programs but no formal margin targets; Nestlé margins include 1x items

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 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.

Appendix B: Nestlé Board of Directors, 2017

3. Board of Directors

3.1 Members of the Board of Directors (*)

Nestlé's Board of Directors is highly structured to ensure a high degree of diversity by age, education/qualifications, professional background, present activity, sector expertise, special skills (classification), nationality and geography. This is reflected in Nestlé's skills and diversity grid disclosed here.

	Name	Year of birth	Education/Qualifications (a)	Professional background
1	Paul Bulcke	1954	Economics and Business Administration	Chairman, Nestlé S.A.
2	Ulf Mark Schneider	1965	Economics, Business Administration and Finance & Accounting	CEO, Nestlé S.A.
3	Andreas Koopmann (c)	1951	Mechanical Engineering and Business Administration	Former CEO, Bobst
4	Henri de Castries (d)	1954	HEC, Law and École Nationale d'Administration (ENA)	Former Chairman and CEO, AXA French Ministry, Government
5	Beat W. Hess	1949	Law, Swiss Attorney-at-law	Lawyer Former Legal Director, Shell
6	Renato Fassbind	1955	Economics, Business Administration and Finance & Accounting	Former CFO, ABB and Credit Suisse Former CEO, Diethelm Keller Group
7	Steven G. Hoch	1954	International Relations and Economics	Founder, Highmount Capital (now Brown Advisory LLC)
8	Naïna Lal Kidwai	1957	Economics and Business Administration	Vice Chairperson & Head Investment, Morgan Stanley Former Country Head and Group General Manager HSBC, India
9	Jean-Pierre Roth	1946	Economics, Political Science and Finance	Former Chairman of the Governing Board, Swiss National Bank
10	Ann M. Veneman	1949	Juris Doctorate	Former Secretary, USDA Former Executive Director, UNICEF
11	Eva Cheng	1952	Business Administration and History	Former Amway China Chairwoman and EVP, Amway Corporation
12	Ruth K. Oniang'o	1946	Food Science and Human Nutrition	Professor of Nutrition, Tufts University Former Member of Parliament, Kenya
13	Patrick Aebischer	1954	Medicine and Neuroscience	President Emeritus, Swiss Federal Institute of Technology Lausanne (EPFL)
14	Ursula M. Burns	1958	Mechanical Engineering	Chairman, Xerox Corporation

(*) Peter Brabeck-Letmathe left the Board of Directors on 6 April 2017 and was designated Chairman Emeritus.
(a) For more complete information on qualifications: please refer to section 3.2 and the individual CVs on www.nestle.com/investors/corporate-governance/management/boardofdirectors
(b) All Board members are elected annually in accordance with Swiss Corporate law and Nestlé S.A.'s Articles of Association.
(c) Vice Chairman
(d) Lead Independent Director. The Lead Independent Director assumes the role of a prime intermediary between the Board and the Chairman. He may convene and he regularly chairs Board meetings and "in camera" sessions where the Chairman is not present or conflicted.

Appendix C: Nestlé Share Buybacks Involving Credit Suisse

Source: SIX Swiss Exchange

13 août 2009

Rachat d'actions propres en vue d'une réduction de capital
Négoce sur la deuxième ligne de la SIX Swiss Exchange SA

Nestlé

Nestlé S.A.
Cham et Vevey

Nestlé S.A. (ci-après «Nestlé») a fait part le 15 août 2007 de l'intention de son Conseil d'administration de racheter des actions à hauteur de CHF 25 milliards sur trois ans.

Nestlé a commencé le 24 août 2007 à racheter ses actions pour un montant maximal de CHF 15 milliards. Ce rachat a été clôturé le 28 juillet 2009. Au total, 314 060 000 actions nominatives d'une valeur nominale de CHF 0.10 ont été rachetées (les nombres d'actions précités et suivants dans le présent paragraphe s'entendent après prise en compte de la division des actions par 10 du 30 juin 2008). Sur décisions des assemblées générales ordinaires de 2008 et 2009, Nestlé a déjà annulé 280 725 000 actions nominatives au total. Le Conseil d'administration a l'intention de proposer aux futures assemblées générales des réductions de capital par annulation des 33 335 000 actions nominatives restantes.

Nestlé a maintenant décidé de procéder à un nouveau rachat d'actions pour un montant maximal de CHF 10 milliards. L'exécution de cette opération dépend des conditions du marché et des possibilités stratégiques de Nestlé. A titre d'illustration, signalons que le volume de rachat correspond, compte tenu du cours de clôture des actions nominatives de Nestlé du 10 août 2009, à un maximum de 227.8 millions d'actions nominatives d'une valeur nominale de CHF 0.10 ou à 6.24 % du capital-actions et des droits de vote de Nestlé (le capital-actions inscrit au registre du commerce est de CHF 365 000 000 et divisé en 3 650 000 000 actions nominatives d'une valeur nominale de CHF 0.10). Le Conseil d'administration a l'intention de proposer aux futures assemblées générales la réduction du capital par annulation des actions nominatives rachetées.

Pour procéder à ce rachat d'actions, une deuxième ligne pour les actions nominatives Nestlé va de nouveau être établie à la SIX Swiss Exchange SA. Sur cette deuxième ligne, seule Nestlé pourra se porter acquéreur par l'intermédiaire de la banque chargée du rachat d'actions et pourra racheter ses propres actions afin de réduire ultérieurement son capital. Le négoce ordinaire des actions nominatives de Nestlé sous le numéro de valeur 3 886 335 ne sera pas affecté par cette mesure et se poursuivra normalement. Un actionnaire de Nestlé désireux de vendre peut donc opter soit pour une vente par négoce ordinaire, soit pour une vente sur la deuxième ligne en vue d'une réduction ultérieure du capital-actions. Nestlé n'est tenue à aucun moment d'acheter des actions sur la deuxième ligne; la société se portera acquéreur suivant l'évolution du marché.

Lors d'une vente sur la deuxième ligne, l'impôt fédéral anticipé de 35 % est prélevé sur la différence entre le prix de rachat des actions nominatives Nestlé d'une part et leur valeur nominale d'autre part.

PRIX DE RACHAT	Les prix de rachat et les cours de la deuxième ligne se forment en fonction des cours des actions nominatives Nestlé traitées sur la première ligne.
PAIEMENT DU PRIX NET ET LIVRAISON DES TITRES	Le négoce sur la deuxième ligne constitue une opération boursière normale. Par conséquent, le paiement du prix net (prix de rachat après déduction de l'impôt anticipé sur la différence entre le prix de rachat et la valeur nominale) et la livraison des actions auront lieu, conformément à l'usage, trois jours boursiers après la date de transaction.
BANQUE MANDATÉE	Nestlé a mandaté le Credit Suisse, Zurich pour le rachat d'actions. Le Credit Suisse sera le seul membre de la Bourse qui établira, pour le compte de Nestlé, des cours de demande pour les actions nominatives Nestlé.

Rachat d'actions propres en vue d'une réduction de capital
Négoce sur la deuxième ligne de SIX Swiss Exchange SA

Nestlé S.A.

Le 27 juin 2017 (après clôture du négoce) Nestlé S.A., Zugerstrasse 8, 6330 Cham, et avenue Nestlé 55, 1800 Vevey ("Nestlé") a annoncé un programme de rachat d'actions d'une valeur jusqu'à CHF 20 milliards en vue d'une réduction du capital. Le programme de rachat d'actions durera jusqu'au 3 juillet 2020 au plus tard. Le volume des rachats d'actions mensuels dépendra des conditions du marché, mais devrait vraisemblablement être plus important en 2019 et 2020 pour permettre la poursuite d'opportunités d'acquisitions créatrices de valeur. Le Conseil d'administration a l'intention de proposer aux futures assemblées générales la réduction du capital par annulation des actions nominatives rachetées.

A titre d'information, signalons que le volume de rachat correspond, compte tenu du cours de clôture des actions nominatives de Nestlé au 29 juin 2017, à un maximum de 239.1 millions d'actions nominatives ou 7.68 % du capital-actions et des droits de vote de Nestlé.

Le programme de rachat d'actions a été exonéré en procédure d'annonce du respect des dispositions sur les offres publiques d'acquisition en vertu du chiffre 6.1 de la Circulaire n°1 du 27 juin 2013 (état au 1er janvier 2016) émise par la Commission des OPA et porte sur 311 216 000 actions nominatives au maximum, correspondant à un maximum de 10 % du capital-actions de CHF 311 216 000.00 actuellement inscrit au registre du commerce, divisé en 3 112 160 000 actions nominatives d'une valeur nominale de CHF 0.10.

Négoce sur la deuxième ligne de SIX Swiss Exchange SA

Pour procéder à ce rachat d'actions, une deuxième ligne de négoce pour les actions nominatives de Nestlé va être ouverte auprès de SIX Swiss Exchange SA. Sur cette deuxième ligne, seule Nestlé pourra se porter acquéreur par l'intermédiaire de la banque chargée du rachat d'actions et pourra racheter ses propres actions afin de réduire ultérieurement son capital (numéro de valeur 37 207 134).

Le négoce ordinaire d'actions nominatives Nestlé, qui a lieu sous le numéro de valeur 3 886 335, n'est pas concerné par cette mesure et se poursuit normalement. Un actionnaire de Nestlé désireux de vendre peut donc opter soit pour une vente par négoce ordinaire, soit pour une vente sur la deuxième ligne en vue d'une réduction ultérieure du capital-actions.

Nestlé n'est tenue à aucun moment d'acheter des actions sur la deuxième ligne; la société se portera acquéreur suivant l'évolution du marché.

La vente sur la deuxième ligne donnera lieu à la perception de l'impôt fédéral anticipé de 35 % sur la différence entre le prix de rachat des actions nominatives et leur valeur nominale. L'impôt sera directement déduit du prix de rachat ("prix net").

Prix de rachat

Les prix de rachat respectivement les cours sur la deuxième ligne se forment en fonction des cours des actions nominatives Nestlé cotées en première ligne.

Paiement du prix net et livraison des titres

Le négoce sur la deuxième ligne constitue une opération boursière normale. Le paiement du prix net et la livraison des actions auront donc lieu, conformément à l'usage, deux jours boursiers après la date de la transaction.

Convention de délégation

Il s'agit d'une convention de délégation selon l'art. 124 al. 2 let. a et al. 3 OIMF, conclue entre Nestlé et Credit Suisse AG, en vertu de laquelle Credit Suisse AG effectue indépendamment des rachats en conformité avec les paramètres spécifiés entre Nestlé et Credit Suisse AG. Cependant, Nestlé a le droit à tout moment de révoquer cette convention de délégation sans donner de raisons ou de la changer conformément à l'art. 124 al. 3 OIMF.

Durée du rachat d'actions

Le rachat d'actions s'échelonnera du 4 juillet 2017 jusqu'au 3 juillet 2020 au plus tard.

Obligation de traiter en bourse

Conformément aux normes de SIX Swiss Exchange SA, les transactions hors Bourse sur une ligne de négoce séparée sont interdites lors de rachats d'actions.

Impôts et taxes

Pour l'impôt fédéral anticipé comme pour les impôts directs, le rachat d'actions propres à des fins de réduction du capital est considéré comme une liquidation partielle de la société qui procède à ce rachat. Il en résulte les effets suivants pour les actionnaires qui vendent leurs titres sur la deuxième ligne de négoce:

1. Impôt anticipé

L'impôt fédéral anticipé se monte à 35 % de la différence entre le prix de rachat des actions et leur valeur nominale. Il sera déduit du prix de rachat par la société qui procède à ce rachat ou par la banque chargée de la transaction, et versé à l'Administration fédérale des contributions.

Appendix D: Nestlé Deals Involving Credit Suisse, 2010–2017 (Merger Market)

MERGERMARKET

Nestle S.A. - Announced Disposals 1 Jan 2010 - 31 May 2017

645983	27/04/2016	03/10/2016	Nestle S.A. (various national ice-cream businesses); Nestle S.A. (European frozen food excluding pizza and Italy frozen food) ; Nestle S.A. (chilled dairy business in the Philippines); R&R Ice Cream Plc (various national ice-cream businesses)		Advisors to R&R Ice Cream Plc (various national ice-cream businesses): Allen & Overy LLP; Karanovic & Partners	Froneri Limited			Nestle S.A. ; R&R Ice Cream Ltd	Advisors to Nestle S.A. : Goldman Sachs & Co. LLC; Credit Suisse; Advisors to R&R Ice Cream Ltd: Rothschild & Co; Jamieson Corporate Finance LLP	Advisors to Nestle S.A. : Linklaters; Krogerus; Advisors to R&R Ice Cream Ltd: Addleshaw Goddard LLP	
608817	03/11/2015	03/11/2015	Davigel SAS			Brakes Group	Goldman Sachs & Co. LLC; Barclays; Credit Agricole	Baker McKenzie	Nestle S.A.	Credit Suisse	Linklaters	217.6
484513	11/02/2014	08/07/2014	L'Oreal SA (8.00% stake)			L'Oreal SA	BNP Paribas SA; Lazard; Zaoui & Co. Limited	Bredin Prat; Orrick Herrington & Sutcliffe LLP	Nestle S.A.	Credit Suisse; Rothschild & Co	Homburger; Gide Loyrette Nouel; Darrois Villey Maillot Brochier	7346.6
482832	03/02/2014	01/10/2014	Powerbar Inc.; Post Foods Australia Pty Ltd			Post Holdings, Inc.	Lazard	Baker McKenzie	Nestle USA, Inc.; Nestle Australia, Ltd.	Advisors to Nestle Australia, Ltd.: Credit Suisse	Advisors to Nestle USA, Inc.: Latham & Watkins LLP; Advisors to Nestle Australia, Ltd.: King & Wood Mallesons	135.3
231410	04/01/2010	26/08/2010	Alcon Inc. (52.00% stake)	Greenhill & Co Inc	Skadden Arps Slate Meagher & Flom LLP; Sullivan & Cromwell LLP	Novartis AG	Goldman Sachs & Co. LLC	Allen & Overy LLP; Wachtell, Lipton, Rosen & Katz; Baer & Karrer; Latham & Watkins LLP; Kim & Chang	Nestle S.A.	Credit Suisse; Citi	Cravath, Swaine & Moore LLP; Homburger; Blake, Cassels & Graydon LLP	26499.7

MERGERMARKET

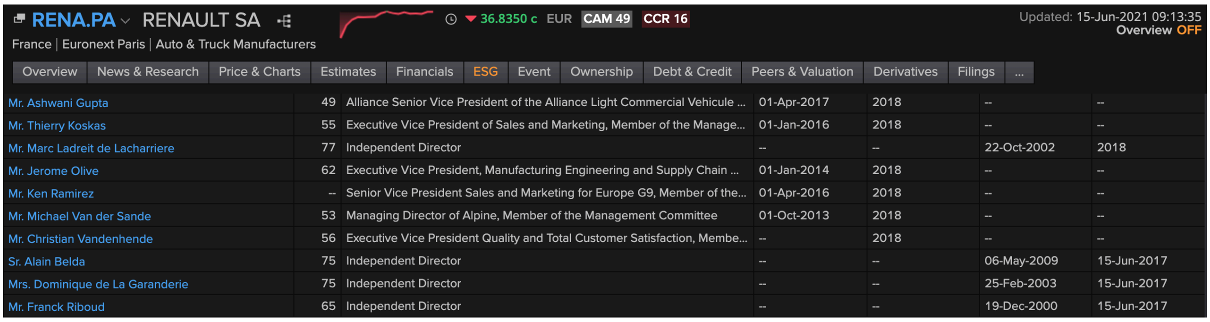
Nestle S.A. - Announced Acquisitions 1 Jan 2010 - 31 May 2017

654081	24/03/2016	31/05/2016	The Proactiv Company LLC (75.00% stake)			Galderma	Credit Suisse	Homburger; Debevoise & Plimpton LLP	Guthy-Renker LLC		VISCHER; Venable LLP; HWL Ebsworth Lawyers	
404783	12/12/2012	13/12/2012	Spirig Pharma AG	Kurmann Partners AG; Moore Corporate Finance	Lenz & Staehelin	Galderma Pharma SA	Credit Suisse	Homburger				
327054	28/09/2011		Graceway Pharmaceuticals, LLC	Lazard; Alvarez & Marsal Holdings LLC	Latham & Watkins LLP	Galderma Pharma SA	Credit Suisse	Debevoise & Plimpton LLP				246.7
312465	11/07/2011	16/12/2011	Hsu Fu Chi International Limited (60.00% stake)	Morgan Stanley; BNP Paribas SA	Latham & Watkins LLP; WongPartnership LLP; Reed Smith Richards Butler; Loo & Partners	Nestle S.A.	Credit Suisse	White & Case LLP; Allen & Gledhill LLP; Shook Lin & Bok Singapore; King & Wood	Baring Private Equity Asia			1420.3

Appendix E: Danone Board of Directors, 2012

Name	Age	Principal position [(a)]	Starting date of Director's term	Expiration date of Director's term (date of Shareholders' Meeting)
Franck RIBOUD	57	Chairman and Chief Executive Officer of Danone	1992	2016 [(c)]
Emmanuel FABER	49	Vice-Chairman of the Board of Directors and Deputy General Manager of Danone	2002	2016 [(c)]
Bernard HOURS	56	Vice-Chairman of the Board of Directors and Deputy General Manager of Danone	2005	2014
Bruno BONNELL [(b)]	54	Chairman of Awabot	2002	2014
Richard GOBLET D'ALVIELLA [(b)]	64	Executive Chairman of Sofina SA	2003	2015
Jacques-Antoine GRANJON [(b)]	50	Chairman and Chief Executive Office of vente-privée-com	2012	2015
Yoshihiro KAWABATA	64	Director and Deputy President, Divisional General Manager of Administrative Division and International Business Division of Yakult Honsha	2010	2014
Jean LAURENT [(b)]	68	Chairman of the Board of Directors of Foncière des Régions	2005	2015
Benoît POTIER [(b)]	55	Chairman and Chief Executive Officer of L'Air Liquide SA	2003	2015
Isabelle SEILLIER	53	Head of Financial Institutions EMEA of J.P. Morgan	2011	2014
Mouna SEPEHRI [(b)]	49	Member of the Executive Committee, Executive Vice-President of Renault SAS	2012	2015
Jean-Michel SEVERINO [(b)]	55	Head of "Investisseur and Partenaire Conseil"	2011	2014
Virginia A. STALLINGS [(b)]	62	Professor of Pediatrics at Children's Hospital of Philadelphia	2012	2015
Jacques VINCENT	66	Chairman of Compassion Art	1997	2014

Appendix F: Franck Riboud at Renault's Board of Directors, 2000–2017



RENA.PA RENAULT SA 36.8350 c EUR CAM 49 CCR 16 Updated: 15-Jun-2021 09:13:35 Overview OFF

France | Euronext Paris | Auto & Truck Manufacturers

Overview | News & Research | Price & Charts | Estimates | Financials | ESG | Event | Ownership | Debt & Credit | Peers & Valuation | Derivatives | Filings | ...

Mr. Ashwani Gupta	49	Alliance Senior Vice President of the Alliance Light Commercial Vehicule ...	01-Apr-2017	2018	--	--
Mr. Thierry Koskas	55	Executive Vice President of Sales and Marketing, Member of the Manage...	01-Jan-2016	2018	--	--
Mr. Marc Ladreit de Lacharriere	77	Independent Director	--	--	22-Oct-2002	2018
Mr. Jerome Olive	62	Executive Vice President, Manufacturing Engineering and Supply Chain ...	01-Jan-2014	2018	--	--
Mr. Ken Ramirez	--	Senior Vice President Sales and Marketing for Europe G9, Member of the...	01-Apr-2016	2018	--	--
Mr. Michael Van der Sande	53	Managing Director of Alpine, Member of the Management Committee	01-Oct-2013	2018	--	--
Mr. Christian Vandenhende	56	Executive Vice President Quality and Total Customer Satisfaction, Membe...	--	2018	--	--
Sr. Alain Belda	75	Independent Director	--	--	06-May-2009	15-Jun-2017
Mrs. Dominique de La Garanderie	75	Independent Director	--	--	25-Feb-2003	15-Jun-2017
Mr. Franck Riboud	65	Independent Director	--	--	19-Dec-2000	15-Jun-2017

Appendix G: Jean Laurent and Franck Riboud at Board of Directors of Eurazeo

EURA.PA EURAZEO SE

Updated: 15-Jun-2021 11:14:11
Overview OFF

France | Euronext Paris | Investment Management & Fund Operators

73.9500 EUR 0.3500 0.48 % Vol 16,371 CAM 65 CCR 48

Overview | News & Research | Price & Charts | Estimates | Financials | ESG | Event | Ownership | Debt & Credit | Peers & Valuation | Derivatives | Filings | ...

PREVIOUS OFFICERS

Name	Age	Latest Position Held	Officer Start	Officer End	Director Start	Director End
Mme. Anne Dias	50	Independent Member of the Supervisory Board	--	--	11-May-2017	28-Apr-2021
Ms. Caroline Cohen	--	Contact Investor Relations	--	--	--	--
Mr. Harold Boel	56	Independent Member of the Supervisory Board	--	--	12-May-2016	26-Jun-2017
Mr. Michel Mathieu	62	Member of the Supervisory Board	--	--	15-Mar-2012	26-Jun-2017
Mr. Jean Laurent	76	Independent Vice Chairman of the Supervisory Board	--	2017	05-May-2004	2017

EURA.PA EURAZEO SE

Updated: 15-Jun-2021 11:14:11
Overview OFF

France | Euronext Paris | Investment Management & Fund Operators

73.9500 EUR 0.3500 0.48 % Vol 16,371 CAM 65 CCR 48

Overview | News & Research | Price & Charts | Estimates | Financials | ESG | Event | Ownership | Debt & Credit | Peers & Valuation | Derivatives | Filings | ...

M. Luis Marini-Portugal	45	Member of the Management Board, Director of Investments	15-Jul-2008	23-Nov-2012	--	--
Mr. Antoine Bernheim	--	Member of the Supervisory Board	--	--	15-May-2002	11-May-2012
Mr. Bertrand Badre	52	Member of the Supervisory Board	--	--	07-May-2010	15-Mar-2012
Mr. Gilbert Saada	51	Director of Investments, Member of the Management Board	1999	15-Dec-2010	--	--
Mr. Noel Dupuy	65	Member of the Supervisory Board	--	--	18-Jul-2005	07-May-2010
Mr. Georges Ralli	71	Non-voting Member of the Supervisory Board	--	--	17-Dec-1998	07-May-2010
Mr. Jean-Pierre Rosso	74	Independent Member of the Supervisory Board	--	--	05-May-2004	07-May-2010
Mr. Marcel Roulet	80	Independent Member of the Supervisory Board	--	--	15-May-2002	07-May-2010
M. Henri Saint Olive	77	Independent Member of the Supervisory Board	--	--	05-May-2004	07-May-2010
Mr. Theodore Zarifi	63	Independent Member of the Supervisory Board	--	--	05-May-2004	07-May-2010
Beatrice Stern	52	Independent Member of the Supervisory Board	--	--	14-May-2008	17-Mar-2010
Jean-Philippe Thierry	64	Non-voting Member of the Supervisory Board	--	--	05-May-2004	10-Mar-2010
Mr. Herve Guyot	66	Independent Member of the Supervisory Board	--	--	05-May-2004	11-Feb-2009
Mr. Bruno Bonnell	61	Independent Member of the Supervisory Board	--	--	25-Apr-2001	14-May-2008
Didier Pfeiffer	--	Independent Vice Chairman of the Board	--	14-May-2008	15-May-2002	14-May-2008
Mr. David Dautresme	80	Member of the Supervisory Board	--	--	05-May-2004	31-Dec-2007
M. Xavier Marin	52	Member of the Management Board, Director of Investment	--	01-Jun-2007	--	--
Dr. Alain Merieux	80	Independent Member of the Supervisory Board	--	--	25-Apr-2001	03-May-2007
Mr. Alain Hagelauer	--	Member of the Management Board	--	15-May-2006	--	--
Mr. Gerardo Braggiotti	66	Member of the Supervisory Board	--	--	17-Dec-1998	2005
Mr. Rene Carron	72	Member of the Supervisory Board	--	--	05-May-2004	2005
Mr. Franck Riboud	65	Independent Member of the Supervisory Board	--	--	25-Apr-2001	2005

Appendix H: Franck Riboud on the Board of Directors of Sofina Group

Mr. Franck RIBOUD

Born on November 7, 1955 – Age: 52

Professional Address: 17 Boulevard Haussmann – 75009 Paris – France

Number of shares GROUPE DANONE held as of December 31, 2007: 174,908

French Nationality

Current responsibilities and positions

Position	Company	Country
Chairman and CEO (since May 2, 1996-Term 2010 (1)) Director (since September 30, 1992) and Executive Committee Chairman (since July 4, 1997)	GROUPE DANONE SA	France
Director Chairman of the Compensation Committee	RENAULT SA	France
Chairman of the Board of Directors	danone.communities (SICAV)	France
Director	BAGLEY LATINOAMERICA, SA *	Spain
	DANONE SA *	Spain
	LACOSTE FRANCE SA	France
	ONA	Morocco
	RENAULT SAS	France
	WADIA BSN INDIA LIMITED	India
Supervisory Board member	ACCOR SA	France
Representative member of Groupe Danone	CONSEIL NATIONAL DU DEVELOPPEMENT DURABLE	France
Director (Associations or Foundations)	ASSOCIATION NATIONALE DES INDUSTRIES AGROALIMENTAIRES	France
	INTERNATIONAL ADVISORY BOARD HEC	France
	FONDATION GAIN (GLOBAL ALLIANCE FOR IMPROVED NUTRITION)	Switzerland

(1) Date of the shareholder's meeting convened to approve renewal of the director's term of office.
** Companies consolidated by Groupe Danone SA.*

Responsibilities and positions during last five years

Position	Company	Country
Chairman of the Board of Directors	COMPAGNIE GERVAIS DANONE SA	France
	GENERALE BISCUIT SA	France
Chairman and Director	DANONE ASIA PTE LIMITED	Singapore
Director	ASSOCIATED BISCUITS INTERNATIONAL Ltd. (ABIL)	Great Britain
	ANSA	France
	L'OREAL SA	France
	QUIKSILVER	United States
	SCOTTISH & NEWCASTLE Plc	United Kingdom
	ABI HOLDINGS LIMITED (ABIH)	Great Britain
	DANONE FINANCE SA	France
	SOFINA	Belgium
Consultative Committee member	BANQUE DE FRANCE	France
Supervisory Board member	EURAZEO SA	France
Permanent Representative of the Director Generale Biscuit	LU FRANCE SA	France
Commissioner	P.T. TIRTA INVESTAMA	Indonesia

Appendix I: Jean-Michel Severino, Shareholder of Investisseurs & Partenaires

Source: societe.com

N° Identifiant	Raison sociale	Siren	Actionnaire	% détenu	Rue	CP	Ville	Pays	Niveau au sein de l'arborescence
ID_0001	**M Jean-michel SEVERINO**				4 rue Fizeau	75015	Paris	FRA	+1
ID_0002	**Mme Laetitia LATREILLE**							FRA	+1
ID_0003	**M jeremy HAJDENBERG**							FRA	+1
ID_0004	**M Sebastien BOYE**				150 Allee du carrete	40230	TOSSE	FRA	+1
ID_0005	**M Pierre CARPENTIER**				10 rue du Loup Pendu	92350	LE PLESSIS ROBINSO	FRA	+1
ID_0006	**Mme Isabelle DAIGNAN FORNJER DE LACIIAUX**							FRA	+1
ID_0007	**M Olivier LAFOURCADE**				70 impasse de Marlanon	40180	HEUGAS	FRA	+1
ID_0008	**I&P**	441734746	ID_0001	74.76	9 RUE NOTRE DAME DES VICTOIRES	75002	PARIS 2	FRA	0
ID_0008	**I&P**	441734746	ID_0002	6.54	9 RUE NOTRE DAME DES VICTOIRES	75002	PARIS 2	FRA	0
ID_0008	**I&P**	441734746	ID_0003	6.54	9 RUE NOTRE DAME DES VICTOIRES	75002	PARIS 2	FRA	0
ID_0008	**I&P**	441734746	ID_0004	6.54	9 RUE NOTRE DAME DES VICTOIRES	75002	PARIS 2	FRA	0
ID_0008	**I&P**	441734746	ID_0005	2.8	9 RUE NOTRE DAME DES VICTOIRES	75002	PARIS 2	FRA	0
ID_0008	**I&P**	441734746	ID_0006	1.69	9 RUE NOTRE DAME DES VICTOIRES	75002	PARIS 2	FRA	0
ID_0008	**I&P**	441734746	ID_0007	1.11	9 RUE NOTRE DAME DES VICTOIRES	75002	PARIS 2	FRA	0

Appendix J: Danone Is a Client of I&P

INVESTISSEURS & PARTENAIRES

Newsletter English

ABOUT OUR WORK IMPACT ENTREPRENEURS RESOURCES

Présentation d'I&P

Investisseurs & Partenaires (I&P) est un investisseur d'impact s'adressant exclusivement aux PME africaines. Depuis 2002, I&P a financé et accompagné près de 150 entrepreneurs dans 16 pays d'Afrique subsaharienne, y compris le Sénégal, le Mali, le Bénin, le Niger, le Burkina Faso, la Cote d'Ivoire, Cameroun, Madagascar, etc. (www.ietp.com)

Notre mission consiste à favoriser l'émergence d'entrepreneurs et d'entreprises responsables, au cœur de la croissance et du développement du continent africain. Pour cela I&P gère plusieurs fonds d'investissement capitalisés par des investisseurs publics (la Banque européenne d'investissement, Proparco, IFC, etc.), privés (Danone, Crédit Coopératif, AXA IM, etc.), et individuels.

Présentation du programme du Fonds d'Accès IP2E

Le programme I&P Education et Emploi (IP2E) vise à promouvoir l'employabilité de la jeunesse africaine en améliorant l'accès à l'éducation, en assurant sa qualité et sa pertinence, et en renforçant l'adéquation entre les formations dispensées et les besoins des employeurs. Le programme de financement mixte s'appuiera sur deux piliers, notamment un Fonds d'Investissement (financement par fonds propres), complémenté par un Fonds d'accès (financement d'amorçage et assistance technique). Pour plus d'informations, veuillez consulter notre site ici.

Le Fonds d'accès ciblera des institutions de l'enseignement supérieur, des centres de formation professionnelle, ainsi que des services auxiliaires du secteur éducatif (p.ex. maisons d'édition, formation des enseignants, plateformes ed-tech, etc.) Grâce au soutien d'un bailleur international dans le cadre de la réponse à la crise liée au covid-19, I&P lance le fonds d'accès à travers une initiative de 3 ans visant à soutenir des PME du secteur éducatif en Côte d'Ivoire, au Ghana, et au Sénégal. Ce programme s'articulera autour de trois composantes principales :

- **Financement direct** aux PMEs sous forme de capital d'appoint visant à fournir des fonds de secours pour aider les PME à résister aux effets économiques de la crise et renforcer leur transition digitale
- **Assistance technique** dans quatre domaines clés, à savoir la numérisation et l'apprentissage en ligne, la conception de mécanismes d'inclusion sociale, la mesure de l'impact, et la promotion de l'égalité des genres, et
- **Le plaidoyer** afin d'améliorer le partage de connaissances et de promouvoir le dialogue entre les acteurs clé du secteur de l'éducation

IMPACTASSETS
INVEST WITH MEANING

NEW! IMPACTASSETS RACIAL EQUITY AND ECONOMIC OPPORTUNITY FUND OPEN AN ACCOUNT DONOR LOGIN

WHO WE ARE DONOR ADVISED FUND IMPACTASSETS 50 PUBLICATIONS IN THE PRESS CONTACT US

Back

INVESTISSEURS & PARTENAIRES

Share Tweet Recommend

Firm Overview

Category: (None)

Investisseurs & Partenaires (I&P) is an impact investment group dedicated to African small and medium sized enterprises. I&P is a private equity investor in African companies which cannot access finance at a local level. With its two investment vehicles, I&P invests between euro 30 000 and euro 1.5 million as a minority shareholder and intends to maximize the economic, social, environmental and governance impacts of its investments. Since 2002, I&P has invested in more than 50 corporations in 15 African countries. I&P has been raising funds with institutional investors (AfDB, EIB, FMO, etc.), private investors (Danone, Crédit Coopératif, etc.) and individual investors. I&P is headed by Jean-Michel Severino, former VP of the World Bank and former CEO of the French Agency for Development. I&P staff is made up of 20 people based in Paris and in 6 African offices: Abidjan, Accra, Antananarivo, Douala, Dakar and Ouagadougou.

Firm Headquarters: Africa
Years of Operation: 10 years or more

Total Assets Under Management: $50 – 99M

Total Number of Investors: More than 25
% of Capital from Top 3 Investors: 25% – 49%

Menu L'AGEFI Rechercher Newsletters Connexion

Accueil > Financements & Marchés > Actualités > Investisseur & Partenaire lance un nouveau véhicule dédié à l'Afrique

Investisseur & Partenaire lance un nouveau véhicule dédié à l'Afrique

Virginie Deneuville — 11/06/2012 — L'AGEFI Quotidien / Edition de 7H

Le fonds a levé 40 millions d'euros auprès d'investisseurs tels que Danone, la Bred ou la Caisse des Dépôts. Il vise 50 millions d'ici l'automne

Twitter
LinkedIn
Facebook
E-mail
Imprimer

Appendix K: Jean Michel Severino's Mandates for Convergences and Danone Communities

Jean-Michel SEVERINO

Born on September 6, 1957 – Age: 55
Business address: 10, rue de Sèze – 75009 Paris – France
Number of DANONE shares held as of December 31, 2012: 4,000
Independent Director
French nationality
Principal responsibility: Head of Investisseur et Partenaire Conseil

Personal background – experience and expertise

Jean-Michel SEVERINO was born on September 6, 1957 in Abidjan, Ivory Coast. He is a graduate of the École Nationale d'Administration, ESCP, IEP Paris and holds a postgraduate degree (DEA) in economics and a "*licence*" degree in law.

After four years working at the French General Inspection of Finance (1984-1988), he was named technical advisor for economic and financial affairs at the French Ministry of Cooperation (1988-1989) and later became the head of that ministry's Department of Economic and Financial Affairs and then its Development Director. In all these positions, he was very active in the conduct of macroeconomic and financial relations, as well as the management of political and humanitarian crises, with sub-Saharan Africa.

In 1996, he was recruited by the World Bank as the Director for Central Europe at a time when this region was marked by the end of the Balkans conflict and reconstruction. He became the World Bank's Vice-President in charge of Far East Asia from 1997 to 2001 and focused on the management of the major macroeconomic and financial crisis that shook these countries.

After a brief stint working once again for the French government as Inspector General of Finance, he was named Chief Executive Officer of the *Agence Française de Développement* (AFD), where from 2001 to 2010 he led the expansion efforts to cover the entire emerging and developing world, notably in the Mediterranean region, Asia and Latin America while still maintaining its strong roots in sub-Saharan Africa. He significantly expanded the bank's development activities and expanded its areas of responsibility to a large number of new countries as well as contemporary global subjects: climate, biodiversity, poverty, growth, etc. He also implemented a fundamental restructuring of the AFD by entering into close partnerships with the local and international industrial and financial private sector.

In 2010, at the end of his third term of office, he returned once again to the French General Inspection of Finance, where he is responsible for the French partnership for water. In May 2011, he left the civil service in order to head up "*Investisseur et Partenaire Conseil*," a fund management company specializing in financing African small and medium-sized businesses.

In addition to his professional duties, he has significant experience in the educational and research areas, notably as an associate professor at CERDI (*Centre d'Études et de Recherches sur le Développement International*). He was elected as a member of the *Académie des Technologies* (2010); he is currently a senior fellow of the *Fondation pour la Recherche sur le Développement International* (FERDI) and of the German Marshall Fund (GMF). He has published numerous articles and books, including, in 2010, "*Idées reçues sur le développement*" and "*Le temps de l'Afrique*," and in 2011 "*Le grand basculement.*"

Positions and responsibilities as of December 31, 2012

Position	Company	Country
Director (term of office from April 28, 2011 to the close of the Shareholders' Meeting to approve the 2013 financial statements) Chairman, member and financial expert of the Board of Directors' Audit Committee (since April 26, 2012) Member of the Board of Directors' Social Responsibility Committee (since April 28, 2011)	DANONE SA [(a)]	France
Director Member of the Governance and Corporate Social Responsibility Committee	FRANCE TELECOM [(a)]	France
Director	I&P AFRIQUE ENTREPRENEURS PHITRUST IMPACT INVESTORS SA	Mauritius France
Manager	INVESTISSEUR ET PARTENAIRE CONSEIL	France

Appendix
Positions and responsibilities of the Directors and nominees to the Board of Directors

Position	Associations/Foundations/Other	Country
Chairman	INSTITUT D'ÉTUDE DU DÉVÉLOPPEMENT ÉCONOMIQUE ET SOCIAL CONVERGENCES 2015	France France
Director	FONDATION JACQUES CHIRAC FONDATION SANOFI ESPOIR CONSERVATION INTERNATIONAL (FOUNDATION)	France France United States
Member of Task Force	UNITED NATIONS – SUSTAINABLE DEVELOPMENT DIVISION	France
Senior fellow	THE GERMAN MARSHALL FUND OF THE UNITED STATES (FOUNDATION)	United States
Research Director	FONDATION POUR LES ETUDES ET RECHERCHES SUR LE DEVELOPPEMENT INTERNATIONAL	France
Member	SCIENTIFIC STEERING COMMITTEE, FONDATION JEAN-JAURÈS ACADÉMIE DES TECHNOLOGIES (PUBLIC-SECTOR INSTITUTION WITH ADMINISTRATIVE ACTIVITIES)	France France

(a) Listed company.

Positions and responsibilities held during the past five years

Position	Companies	Country
Chairman	SOCIÉTÉ DE PROMOTION ET DE PARTICIPATION POUR LA COOPÉRATION ÉCONOMIQUE	France

Function	Associations/Foundations/Other	Country
Chairman	PARTENARIAT FRANÇAIS POUR L'EAU	France
Chief Executive Officer	AGENCE FRANÇAISE DE DEVELOPPEMENT (PUBLIC-SECTOR INSTITUTION WITH INDUSTRIAL AND COMMERCIAL ACTIVITIES)	France
Vice-President	COMITÉ NATIONAL FRANÇAIS	France
Director	EUROPEAN INVESTMENT BANK INSTITUT DE RECHERCHE POUR LE DÉVELOPPEMENT (FRENCH PUBLIC-SECTOR INSTITUTION WITH SCIENTIFIC AND TECHNOLOGICAL ACTIVITIES) danone.communities CENTRE DE COOPERATION INTERNATIONALE EN RECHERCHE AGRONOMIQUE POUR LE DEVELOPPEMENT (PUBLIC-SECTOR INSTITUTION WITH INDUSTRIAL AND COMMERCIAL ACTIVITIES)	Luxembourg France France France
Member	INDEPENDENT ASSESSMENT COMMITTEE ON SUSTAINABLE DEVELOPMENT, VEOLIA ENVIRONNEMENT	France

Appendix L: Franck Riboud's Mandate at RAISE

FRANCK RIBOUD

Born on November 7, 1955

Age: 59

Business address:
17, boulevard Haussmann – 75009 Paris – France

Number of DANONE shares held as of December 31, 2014: 274,512

Non-Independent Director

French nationality

Principal responsibility: Chairman of Danone's Board of Directors

Seniority in Danone group: October 1981 (33 years)

Personal background – experience and expertise:

Franck RIBOUD is a graduate of the École Polytechnique Fédérale de Lausanne.

He joined the Group in 1981, where he held successive positions through 1989 in management control, sales and marketing. After serving as Head of Sales at Heudebert, in September 1989 he was appointed to head up the department responsible for the integration and development of new companies in the Biscuits branch. He was involved in the most significant acquisition, at that time, completed by a French group in the United States, namely the acquisition of Nabisco's European activities by BSN. In July 1990, he was appointed General Manager of Société des Eaux Minérales d'Evian.

In 1992, Franck RIBOUD became Head of the Group Development Department. The Group then launched its international diversification marked by increased development in Asia and Latin America and through the creation of an Export Department.

In 1994, BSN changed its name to Danone in order to become a global brand.

From May 2, 1996 to September 30, 2014, he was Chairman and Chief Executive Officer of Danone. Following the separation of offices, he became Chairman of Danone's Board of Directors on October 1, 2014.

Since 2008, he has been the Chairman of the Board of Directors of the danone.communities mutual investment fund (SICAV), a financing entity aimed at promoting the development of profitable companies whose primary goal is to maximize socially responsible objectives as opposed to profit.

Since 2009, he has served as the Chairman of the Steering Committee of the Danone Ecosystem Fund, and in December 2011 he was named member of the Steering Committee of the Livelihoods Fund.

Positions and responsibilities as of December 31, 2014 [a]

Positions	Companies	Countries
Chairman of the Board of Directors (since October 1, 2014) Director (term of office from September 30, 1992 to the end of the Shareholders' Meeting to approve the 2015 financial statements) Chairman of the Strategy Committee	DANONE SA [b]	France
Director	RENAULT SA [b]	France
	BAGLEY LATINOAMERICA, SA [c]	*Spain*
	DANONE (SPAIN) SA [d]	*Spain*
	RENAULT SAS	*France*
	ROLEX SA	*Switzerland*
	ROLEX HOLDING SA	*Switzerland*
Chairman of the Board of Directors	*danone.communities (SICAV)* [e]	*France*
Member of the Steering Committee	*LIVELIHOODS FUND (SICAV)* [e]	*Luxembourg*

Positions	Associations/Foundations/Other	Countries
Chairman of the Steering Committee	*DANONE ECOSYSTEM FUND (endowment fund)* [e]	*France*
Director	*INTERNATIONAL ADVISORY BOARD HEC BUSINESS SCHOOL*	*France*
	RAISE (endowment fund)	*France*
Member of the Supervisory Board	*FONDATION ELA (EUROPEAN LEUKODYSTROPHY ASSOCIATION)*	*France*
Honorary member	*ASSOCIATION ELA*	*France*
Member of the Board of	*FONDATION EPFL PLUS (ÉCOLE POLYTECHNIQUE FEDERALE DE LAUSANNE)*	*Switzerland*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.
(c) Company consolidated as associate by Danone.
(d) Company fully consolidated by Danone.
(e) Duties performed in the framework of social projects initiated by the Group.

Positions and responsibilities held in the past five years

Positions	Companies	Countries
Chairman of the Executive Committee Chief Executive Officer	DANONE SA [a]	France
Director	LACOSTE SA	France
	OMNIUM NORD AFRICAIN (ONA) [a]	Morocco
Director and Member of the Compensation Committee	ACCOR SA [a]	France
Chairman and Member of the Compensation Committee	RENAULT SA [a]	France

Positions	Associations/Foundations/Other	Countries
Director	ASSOCIATION NATIONALE DES INDUSTRIES AGROALIMENTAIRES	France

(a) Listed company.

Appendix M: Shareholders of RAISE

Source: societe.com

Identifian	Raison sociale	Siren	Actionnaire	% détenu	Rue	CP	Ville	Pays	Niveau au sein de l'arborescence
ID_0001	**SAFRAN**	562082909			2 BD DU GAL MARTIAL VALIN	75015	PARIS 15	FRA	+1
ID_0002	**TRANSVERSALES**	490593340			15 RTE DE LA CROIX MORIAU	44350	GUERANDE	FRA	+1
ID_0003	**IBN GESTION**	494183247			L ANGEBARDIERE	44120	VERTOU	FRA	+1
ID_0004	**SOCIETE GENERALE CAPITAL PARTENA**	304973357			17 CRS VALMY	92800	PUTEAUX	FRA	+1
ID_0005	**FINANCIERE WEBER ROULE**	522915164			21 RUE WEBER	75116	PARIS 16	FRA	+1
ID_0006	**FONDS DE DOTATION RAISEHERPAS**	798126439			138B RUE DE GRENELLE	75007	PARIS 7	FRA	+1
ID_0007	**ACCOR**	602036444			82 RUE H FARMAN	92130	ISSY-LES-MOULINEAU	FRA	+1
ID_0008	**FCP PATRIMOINE**	533727772					ESTAIMPUIS	BEL	+1
ID_0009	**EDF DEVELOPPEMENT ENVIRONNEMEN**	380414482			10 PL DE LA DEFENSE	92400	COURBEVOIE	FRA	+1
ID_0010	**FINANCIERE GDB**	788951440			34 RUE DE PRONY	75017	PARIS 17	FRA	+1
ID_0011	**M Alexandre GONTCHAROV**								+1
ID_0012	**Mme Alexandra DUPONT**				23 Avenue De Versailles	75016	PARIS	FRA	+1
ID_0013	**SPIKA**	304690209			23 PL DES CARMES DECHAUX	63000	CLERMONT-FERRAND	FRA	+1
ID_0014	**SOCIETE ANONYME DES GALERIES LAF**	542094065			40 BD HAUSSMANN	75009	PARIS 9	FRA	+1
ID_0015	**FINANCIERE DASSAULT**	318122561			9 RPT CHAMPS ELYSEES M DASSAULT	75008	PARIS 8	FRA	+1
ID_0016	**M Mathieu BLANC**							FRA	+1
ID_0017	**DAN INVESTMENTS**	487742116			17 BD HAUSSMANN	75009	PARIS 9	FRA	+1
ID_0018	**AXA ASSURANCES IARD MUTUELLE**	775699309			313 TERRASSES DE L ARCHE	92000	NANTERRE	FRA	+1
ID_0019	**SOCIETE FINANCIERE DU CEDRE**	399457209			222 RUE DE RIVOLI	75001	PARIS 1	FRA	+1
ID_0020	**PABAFAJAMET**	790595045			41 RUE BUFFON	75005	PARIS 5	FRA	+1
ID_0021	**CARDIF ASSURANCE VIE**	732028154			1 BD HAUSSMANN	75009	PARIS 9	FRA	+1
ID_0022	**CAISSE DES DEPOTS ET CONSIGNATIO**	180020026			56 RUE DE LILLE	75007	PARIS 7	FRA	+1
ID_0023	**EURAZEO**	692030992			1 RUE GEORGES BERGER	75017	PARIS 17	FRA	+1
ID_0024	**UNIBAIL-RODAMCO-WESTFIELD SE**	682024096			7 PL DU CHANCELIER ADENAUER	75116	PARIS 16	FRA	+1
ID_0025	**CREDIT MUTUEL ARKEA**	775577018			1 RUE LOUIS LICHOU	29480	LE RELECQ-KERHUON	FRA	+1
ID_0026	**GL EVENTS**	351571757			59 QUAI RAMBAUD	69002	LYON 2EME	FRA	+1
ID_0027	**ORANGE**	380129866			78 RUE OLIVIER DE SERRES	75015	PARIS 15	FRA	+1
ID_0028	**TETHYS**	409030053			29 RUE DES POISSONNIERS	92200	NEUILLY-SUR-SEINE	FRA	+1
ID_0029	**BOUYGUES**	572015246			32 AV HOCHE	75008	PARIS 8	FRA	+1
ID_0030	**VEOLIA ENVIRONNEMENT**	403210032			21 RUE LA BOETIE	75008	PARIS 8	FRA	+1
ID_0031	**BPCE VIE**	349004341			30 AV PIERRE MENDES FRANCE	75013	PARIS 13	FRA	+1
ID_0032	**IDINVEST PARTNERS**	414735175			117 AV DES CHAMPS ELYSEES	75008	PARIS 8	FRA	+1
ID_0033	**UP**	642044366			27 AV DES LOUVRESSES	92230	GENNEVILLIERS	FRA	+1
ID_0034	**CAA FRANCE CROISSANCE 2 FPCI**							FRA	+1

Appendix N: Lionel Zinsou-Derlin and I&P Mauritius
(Corporate and Business Registration Department, Republic of Mauritius, n.d.)

Information about I&P Afrique Entrepreneurs

PRINT PAGE

COMPANY DETAILS

File No	C108824	Date Incorporated/Registered	29/03/2012
Name	I&P Afrique Entrepreneurs	Nature	Public
Category	GLOBAL	Sub-category	GLOBAL BUSINESS CATEGORY 1
Type	LSH	Status	Live
Registered Office Address	C/o Rogers Capital Corporate Services Limited, 5 President John Kennedy Street Rogers House Port-Louis MAURITIUS		

OFFICE BEARERS

	Position	Name	Address	Appointed Date
1	DIRECTOR	FERTON ANNIE SIMONE ANDRÉE		29/03/2012
2	DIRECTOR	LAFOURCADE OLIVIER		29/03/2012
3	DIRECTOR	LEDESMA PHILIPPE JEAN MARIE		29/03/2012
4	DIRECTOR	LOUM MAMADOU LAMINE		13/12/2012
5	DIRECTOR	NATHOO ROSHAN		29/03/2012
6	DIRECTOR	SEVERINO JEAN-MICHEL, MARIE, FERNAND		29/03/2012
7	DIRECTOR	ZINSOU-DERLIN LIONEL ALAIN	INTENDANCE STREET 1ST FLOOR	26/09/2013

Appendix O: Danone Governance Rules, 2012

the new role of Lead Independent Director and to take into account the specific situation of Directors who are resident abroad (by granting them an additional amount to cover their travel to Board meetings).

Directors' Code of ethics

The Board's rules of procedure include a Directors' Code of ethics. Under this Code, the Directors are bound by a general confidentiality obligation regarding the decisions of the Board and of the Committees, as well as with respect to confidential information of which they become aware in the performance of their duties. Each Director is required to act in the interest of and on behalf of all shareholders.

In performing his/her duties, each Director must act independently of any interest other than the corporate interest of the Group and its shareholders. Each Director must at all times ensure that his/her personal situation does not create a conflict of interests with the Group. Any Director who has a conflict of interests must report it to the Board so that it may make a decision thereon, and must refrain from taking part in any vote on the relevant matter.

Following the Board of Directors' meeting of February 14, 2011, the provisions of the rules of procedure were bolstered with respect to the following three points:

Awareness of Directors' rights and obligations

At the time he/she takes office, each Director must be aware of the general and specific obligations incumbent on his/her position;

Directors' confidentiality obligation

The Directors' general confidentiality obligation was extended to all information and documents of which they may become aware in the course of performing their duties;

Duty to report conflicts of interest

Each Director must provide a sworn statement describing whether or not he/she has any conflicts of interest, including potential conflicts of interest: (i) at the time he/she takes office, (ii) annually, in response to the Company's request when it prepares the Registration Document, (iii) at any time, if requested by the Chairman of the Board of Directors, and (iv) within ten business days of the occurrence of any event that causes the Director's previously filed statements to become inaccurate, in whole or in part. In addition, in cases when the Director cannot avoid a conflict of interest, including potential conflicts of interest, he/she must abstain from taking part in discussions and from voting on the subjects concerned.

Moreover, at its meeting of February 14, 2012, the Board of Directors strengthened and detailed the Directors' obligations regarding their commitment to the Board as follows: Directors must limit the number of their appointments as a director or chairman of committees of the board of directors of other companies in such a manner as to ensure they are able to commit fully to the Danone Board. Furthermore, should a Director wish to accept a new appointment within a French or foreign listed company, he or she must inform the Chairman of the Board of Directors and the Chairman of the Nomination and Compensation Committee.

Transactions involving the Company's securities

The relevant securities include the Company's shares and all financial instruments linked to the shares.

In general, the members of the Board of Directors are bound by a duty to exercise due care and diligence, as well as an obligation to exercise particular care with respect to any personal transactions involving the Company's securities.

In particular, Directors may not engage in speculative or short-term transactions involving the Company's securities.

Furthermore, they may not engage in transactions involving the Company's securities in the following cases:

- if they have information that, when published, is likely to affect the price of the securities;
- during periods explicitly indicated by the Company, in particular, during the month preceding announcements of the Company's annual and semi-annual results, or during the two-week period prior to publication of the Company's quarterly sales figures.

In addition, the members of the Board of Directors must not use any instruments to hedge DANONE shares or any financial instruments linked to DANONE shares (in particular, stock-options or rights to allotments of DANONE shares subject to performance conditions). This rule also applies to all transactions engaged in by persons who have ties to the Directors (within the meaning of the regulations in force). Finally, any Director who is unsure about a transaction involving the Company's securities (or other financial instruments) that he/she intends to enter into or about the precise nature of the information he/she is required to disclose must inform the Chairman of the Board of Directors or the Lead Independent Director accordingly.

Assessment of the Board of Directors' performance

The Board's performance is assessed every two years. This assessment may be a self-assessment, an assessment by the Nomination and Compensation Committee or an assessment by a third party organization.

At its February 14, 2012 meeting, in its annual report on its operations, the Board of Directors reviewed progress to date in implementing the recommendations issued as a result of the self-assessment carried out in December 2010. The last self-assessment was carried out at the end of 2012. Its findings were reviewed by the Board at its meeting on February 18, 2013 (see section *Self-assessment of the Board of Directors* hereafter).

Lead Independent Director

Discussions with the Company's shareholders have enabled the Board of Directors to note that certain shareholders consider that the aggregation of the offices of Chairman of the Board of Directors and Chief Executive Officer could cause risks as regards corporate governance. It therefore appeared opportune to the Board to make obligatory the appointment of a Lead Independent Director when the functions of Chairman of the Board of Directors and Chief Executive Officer are combined in order to provide additional assurance as to the smooth operation of the Board and the balance of powers within General Management and the Board. Consequently, at the Board meeting on February 18, 2013, the Board's rules of procedure were amended to provide for the position of Lead Independent Director.

The Lead Independent Director is appointed by the Board of Directors from among the independent Directors, based on a proposal from the Nomination and Compensation Committee. He/she remains in office throughout the duration of his/her term of office. Each time the Lead Independent Director's term of office expires, a review will be carried out of the operation of said role and its holder's powers so that, if necessary, they can be adapted.

Appendix P: Unilever Board of Directors, 2017

BOARD OF DIRECTORS

OVERVIEW OF EXECUTIVE & NON-EXECUTIVE DIRECTORS

MARIJN DEKKERS Chairman

Previous experience: Bayer AG (CEO); Thermo Fisher Scientific Inc. (CEO).
Current external appointments: Novalis LifeSciences LLC (Founder and Chairman); General Electric Company (NED); Quanterix Corporation (Director); Georgetown University (member Board of Directors).

ANN FUDGE Vice-Chairman/ Senior Independent Director

Previous experience: General Electric Company (NED); Marriott International, Inc. (NED); Young & Rubicam, Inc. (Chairman and CEO).
Current external appointments: Novartis AG (NED); Northrop Grumman Corporation (NED); Catalyst, Inc. (Director); US Programs Advisory Panel of Gates Foundation (Chairman); Brookings Institution (Honorary Trustee).

PAUL POLMAN CEO

Dutch, Male, 61. Appointed CEO: January 2009. Appointed Director: October 2008.
Previous experience: Procter & Gamble Co. (Group President, Europe); Nestlé SA (CFO); Alcon Inc. (Director).
Current external appointments: DowDuPont, Inc. (NED); World Business Council for Sustainable Development (Chairman, Executive Committee); Financing Capitalism for the Long-Term (FCLT), Global (Board member).

GRAEME PITKETHLY CFO

British, Male, 51. Appointed CFO: October 2015. Appointed Director: April 2016.
Previous experience: Unilever UK and Ireland (EVP and General Manager); Finance Global Markets (EVP); Group Treasurer; Head of M&A; FLAG Telecom (VP Corporate Development); PwC.
Current external appointments: Financial Stability Board Task Force on Climate Related Financial Disclosure (Vice Chair).

NILS SMEDEGAARD ANDERSEN

Previous experience: A.P. Moller – Maersk A/S (Group CEO); Carlsberg A/S and Carlsberg Breweries A/S (CEO); European Round Table of Industrialists (Vice-Chairman).
Current external appointments: BP Plc (NED); Dansk Supermarked A/S (Chairman); Unifeeder S/A (Chairman); Faerch Plast (Chairman).

LAURA CHA

Previous experience: Securities and Futures Commission, Hong Kong (Deputy Chairman); China Securities Regulatory Commission (Vice Chairman).
Current external appointments: HSBC Holdings plc (NED); China Telecom Corporation Limited (NED; Foundation Asset Management Sweden AB (Senior international advisor); Executive Council of the Hong Kong Special Administrative Region (Non-official member); 12th National People's Congress of China (Hong Kong Delegate).

VITTORIO COLAO

Previous experience: RCS MediaGroup SpA (CEO); McKinsey & Company (Partner); Finmeccanica Group Services SpA (renamed to Leonardo SpA) (NED); RAS Insurance SpA (merged with Allianz AG), (NED).
Current external appointments: Vodafone Group plc (CEO); Bocconi University (International Advisory Council); European Round Table of Industrialists (Vice-Chairman).

JUDITH HARTMANN

Previous experience: General Electric (various roles); Bertelsmann SE & Co. KGaA (CFO); RTL Group SA (NED); Penguin Random House LLC (NED).
Current external appointments: ENGIE Group CFO and EVP North America and UK/Ireland; Suez (NED).

MARY MA

Previous experience: TPG Capital, LP (Partner); TPG China Partners (Co-Chairman).
Current external appointments: Lenovo Group Ltd. (NED); Boyu Capital Consultancy Co. Ltd (Managing Partner); MXZ Investment Limited (Director); Securities and Futures Commission, Hong Kong (NED).

STRIVE MASIYIWA

Previous experience: Africa Against Ebola Solidarity Trust (Co-Founder and Chairman); Grow Africa (Co-Chairman); Nutrition International (formerly known as Micronutrient Initiative) (Chairman).
Current external appointments: Econet Group (Founder and Group Executive Chairman); Econet Wireless Zimbabwe Ltd (Director); The Alliance for a Green Revolution in Africa (AGRA) Not-for-Profit Corporation (Chairman); Rockefeller Foundation (Trustee).

YOUNGME MOON

Previous experience: Harvard Business School (Chairman and Senior Associate Dean for the MBA Program); Massachusetts Institute of Technology (Professor); Avid Technology (NED).
Current external appointments: Rakuten, Inc. (NED); Sweetgreen Inc (Board Member); Harvard Business School (Professor).

JOHN RISHTON

Previous experience: Rolls-Royce Holdings plc (CEO); Koninklijke Ahold NV (merged to Koninklijke Ahold Delhaize NV) (CEO, President and CFO); ICA (now ICA Gruppen AB)(NED).
Current external appointments: Informa plc (NED); Serco Group plc (NED); Associated British Ports Holdings Ltd. (NED).

FEIKE SIJBESMA

Previous experience: Supervisory Board of DSM Nederland B.V. (Chairman); Utrecht University (Supervisory); Stichting Dutch Cancer Institute/ Antoni van Leeuwenhoek Hospital NKI/AVL) (Supervisory).
Current external appointments: Koninklijke DSM NV (CEO and Chairman of the Managing Board); De Nederlandsche Bank NV (Member of the Supervisory Board); Carbon Pricing Leadership Coalition (High Level Assembly Co-Chairman), Climate Leader for the World Bank Group Leader, convened by World Bank Group.

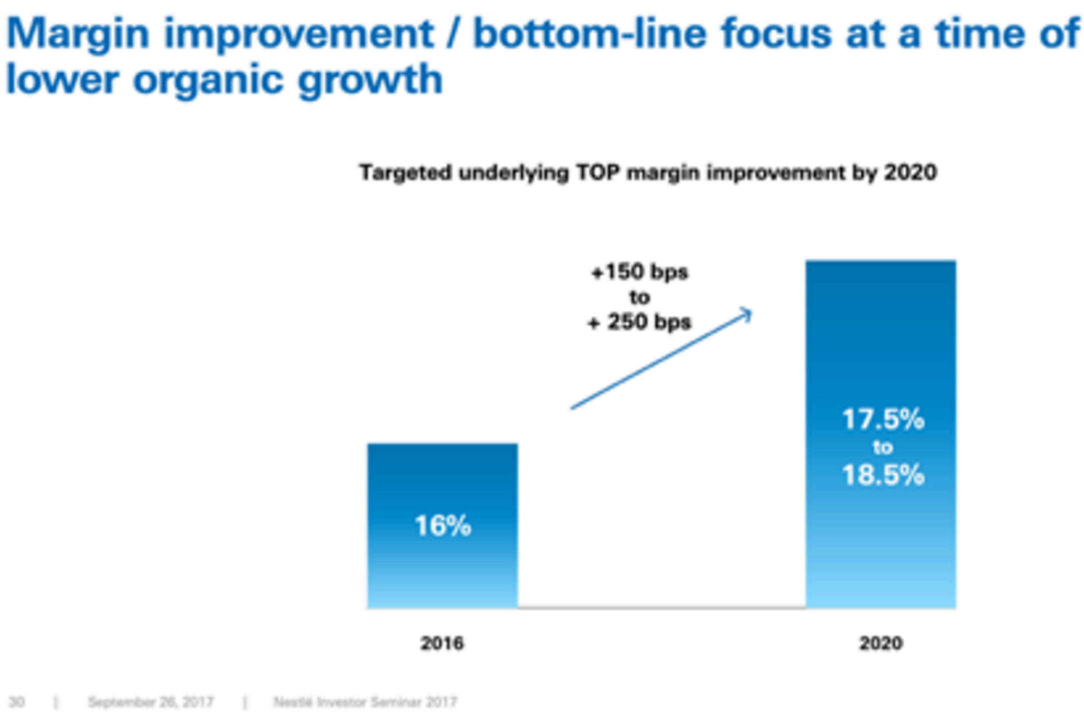
NON-EXECUTIVE DIRECTORS

	MARIJN DEKKERS	NILS ANDERSEN	LAURA CHA	VITTORIO COLAO	ANN FUDGE	JUDITH HARTMANN	MARY MA	STRIVE MASIYIWA	YOUNGME MOON	JOHN RISHTON	FEIKE SIJBESMA
Age	60	59	68	56	66	48	65	57	53	60	58
Gender	Male	Male	Female	Male	Female	Female	Female	Male	Female	Male	Male
Nationality	Dutch / American	Danish	Chinese	Italian	American	Austrian	Chinese	Zimbab-wean	American	British	Dutch
Appointment date	April 2016	April 2015	May 2013	July 2015	May 2009	April 2015	May 2013	April 2016	April 2016	May 2013	November 2014
Committee membership*	CC, NCGC	AC	NCGC	CC	CC (Chairman)	AC	CC	CRC (Chairman)	CRC	AC (Chairman)	CRC, NCGC (Chairman)
Leadership of complex global entities	✓	✓		✓	✓	✓		✓		✓	✓
Finance	✓	✓	✓	✓		✓	✓	✓		✓	✓
Consumer / FMCG insights	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
Digital insights				✓	✓						
Sales & marketing	✓	✓		✓	✓			✓			✓
Science & technology	✓			✓			✓	✓			✓
Attendance at planned Board Meetings	6/6	6/6	6/6	6/6	6/6	6/6	6/6	6/6	6/6	6/6	6/6
Attendance at ad hoc Board Meetings	8/8	8/8	6/8	7/8	5/8	6/8	8/8	7/8	7/8	5/8	7/8
Tenure as at 2017 AGMs	1	2	4	2	8	2	4	1	1	4	3

* AC refers to the Audit Committee; CC refers to the Compensation Committee; CRC refers to the Corporate Responsibility Committee; and NCGC refers to the Nominating and Corporate Governance Committee.

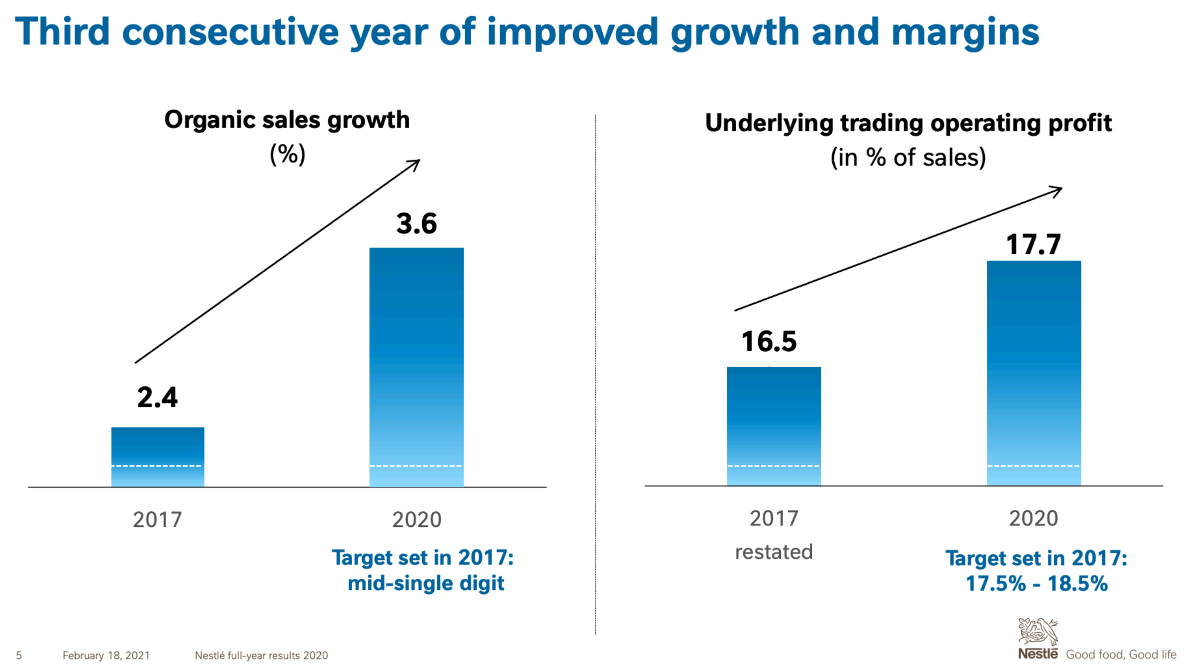
Appendix Q: Nestlé Growth and Margin Commitment

Source: Nestlé investor seminar 2017



Appendix R: Nestlé Achievement of 2017 Targets

Source: 2020 full year results



Appendix S: Nestlé Share Buybacks Programs

Source: Nestlé

Distribution of cash to Nestlé shareholders

Nestlé's Board of Directors has decided to distribute an amount of up to CHF 20 billion to Nestlé shareholders over the period 2020 to 2022, while maintaining the company's longstanding sustainable dividend practice. The distribution reflects Nestlé's continued strong cash generation as well as significant cash inflows from disposals.

The distribution is expected to be primarily in the form of a share buyback program commencing in January 2020. The Board may consider distributing part of the total amount as one or more special dividends over the period 2020 to 2022. The volume of monthly share buybacks and the amount of potential special dividend payments will depend on market conditions.

Nestlé's Board of Directors and executive management reiterate their preference for value-creating investments to expand the company's core food, beverage and nutritional health products business. Should any sizable acquisitions take place during this period, the amount of cash to be distributed to shareholders will be adjusted accordingly.

History of share buyback programs

Launch Date	Completion	Amount (CHF mio)	Number of shares	Average price (CHF per share)	Publication of transaction
Jul 2017	Dec 2019	20,000	225,186,059	88.82	30 December 2019 (xls, 250Kb)
Aug 2014	Dec 2015	8,000	112,640,000	71.02	n/a
Jun 2010	Sep 2011	10,000	188,465,000*	53.07*	n/a
Aug 2009	Jun 2010	10,000	203,400,000	49.17	n/a
Aug 2007	Jul 2009	15,000	314,060,000*	47.76*	n/a
Nov 2005	Oct 2006	3,000	76,632,000*	39.14*	n/a
Jul 2005	Oct 2005	1,000	27,843,000*	35.92*	n/a

*Adjusted to reflect the share split effective 30.06.2008

Appendix T: Nestlé Tax Ratio and Leverage (Nestlé annual reports, 2010–2020)

P&L	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Sales	**84,343**	**92,568**	**91,439**	**89,791**	**89,469**	**88,785**	**91,612**	**92,158**	**89,721**	**83,642**	**87,906**
Other revenue	338	297	311	330	317	298	253	215	210	128	109
Cost of goods sold	(42,971)	(46,647)	(46,070)	(44,923)	(44,199)	(44,730)	(47,553)	(48,111)	(47,500)	(44,127)	(44,775)
Distribution expenses	(7,861)	(8,496)	(8,469)	(8,205)	(8,059)	(7,899)	(8,217)	(8,156)	(8,017)	(7,602)	(7,953)
Marketing and administration expenses	(17,370)	(19,790)	(20,003)	(20,540)	(21,485)	(20,744)	(19,651)	(19,711)	(19,041)	(17,395)	(19,846)
%	*20.6%*	*21.4%*	*21.9%*	*22.9%*	*24.0%*	*23.4%*	*21.5%*	*21.4%*	*21.2%*	*20.8%*	*22.6%*
Research & development costs	(1,576)	(1,672)	(1,687)	(1,724)	(1,736)	(1,678)	(1,628)	(1,503)	(1,413)	(1,423)	(1,403)
%	*1.9%*	*1.8%*	*1.8%*	*1.9%*	*1.9%*	*1.9%*	*1.8%*	*1.6%*	*1.6%*	*1.7%*	*1.6%*
Other trading income	238	163	37	111	99	78	110	120	141	51	168
Other trading expenses	(908)	(2,749)	(1,769)	(1,607)	(713)	(728)	(907)	(965)	(637)	(736)	(1,530)
Trading operating profit (EBITA)	**14,233**	**13,674**	**13,789**	**13,233**	**13,693**	**13,382**	**14,019**	**14,047**	**13,464**	**12,538**	**12,676**
	16.9%	*14.8%*	*15.1%*	*14.7%*	*15.3%*	*15.1%*	*15.3%*	*15.2%*	*15.0%*	*15.0%*	*14.4%*
Other operating income	1,919	3,717	2,535	379	354	126	154	616	146	112	38
Other operating expenses	(1,356)	(1,313)	(2,572)	(3,500)	(884)	(1,100)	(3,268)	(1,595)	(222)	(179)	(571)
Amortization of goodwill											
Operating profit	**14,796**	**16,078**	**13,752**	**10,112**	**13,163**	**12,408**	**10,905**	**13,068**	**13,388**	**12,471**	**12,143**
	17.5%	*17.4%*	*15.0%*	*11.3%*	*14.7%*	*14.0%*	*11.9%*	*14.2%*	*14.9%*	*14.9%*	*13.8%*
Financial income	109	200	247	152	121	101	135	219	120	115	72
Financial expense	(983)	(1,216)	(1,008)	(771)	(758)	(725)	(772)	(850)	(825)	(536)	(834)
	(874)	(1,016)	(761)	(619)	(637)	(624)	(637)	(631)	(705)	(421)	(762)
Profit before taxes, associates and JVs	**13,922**	**15,062**	**12,991**	**9,493**	**12,526**	**11,784**	**10,268**	**12,437**	**12,683**	**12,050**	**11,381**
					111.1%						
Taxes	(3,365)	(3,159)	(3,439)	(2,779)	(4,413)	(3,305)	(3,367)	(3,256)	(3,259)	(3,112)	(3,343)
Tax ratio	24%	21%	26%	29%	35%	28%	33%	26%	26%	26%	29%

Financial analysis	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Non-current operating assets	77,955	80,772	85,220	86,562	89,150	85,883	90,840	78,061	80,271	72,138	64,730
+ WCR	(4,513)	(4,561)	(3,960)	(2,266)	(2,672)	(1,221)	592	1,294	4,168	6,188	5,197
- Non-current operating liabilities	(9,864)	(10,331)	(9,882)	(15,617)	(17,312)	(15,084)	(16,275)	(13,023)	(15,608)	(14,378)	(11,414)
= Operating Capital Employed	63,578	65,880	71,378	68,679	69,166	69,578	75,157	66,332	68,831	63,948	58,513
+ Associate companies	12,005	11,505	10,792	11,628	10,709	8,675	8,649	12,315	11,586	8,629	7,914
+ Net assets held for sale	2,269	2,378	6,326	345	19	1,158	403	182	367	16	25
= Total Capital Employed	**77,852**	**79,763**	**88,496**	**80,652**	**79,894**	**79,411**	**84,209**	**78,829**	**80,784**	**72,593**	**66,452**
				1.036							
Equity	46,514	52,862	58,403	62,777	65,981	63,986	71,884	64,139	62,664	58,274	62,598
+ Net financial debt	31,338	26,901	30,093	17,875	13,913	15,425	12,325	14,690	18,120	14,319	3,854
Gearing (net debt / book equity)	0.67	0.51	0.52	0.28	0.21	0.24	0.17	0.23	0.29	0.25	0.06
EBITDA	18,261	19,791	17,676	13,339	16,295	15,586	13,963	16,233	16,437	15,396	15,325
Leverage (net debt / EBITDA)	1.7	1.4	1.7	1.3	0.9	1.0	0.9	0.9	1.1	0.9	0.3

Appendix U: Unilever A&P and R&D Spending (Unilever annual reports, 2010–2020)

Consolidated income statement

for the year ended 31 December

	€ million 2020	€ million 2019	€ million 2018 (Restated)[a]	€ million 2017 (Restated)[a]	€ million 2016	€ million 2015	€ million 2014	€ million 2013	€ million 2012	€ million 2011	€ million 2010
Turnover	**50,724**	**51,980**	**50,982**	**53,715**	**52,713**	**53,272**	**48,436**	**49,797**	**51,324**	**46,467**	**44,262**
A&P	**(7,091)**	**(7,272)**	(7,150)	(7,575)	(7,731)	(8,003)	(7,166)	(6,832)	(6,763)	(6,069)	(6,064)
% of sales	**13.98%**	**13.99%**	**14.02%**	**14.10%**	**14.67%**	**15.02%**	**14.79%**	**13.72%**	**13.18%**	**13.06%**	**13.70%**
R&D	**(800)**	**(840)**	(900)	(900)	(978)	(1,005)	(955)	(1,040)	(1,003)	(1,009)	(928)
% of sales	**1.58%**	**1.62%**	**1.77%**	**1.68%**	**1.86%**	**1.89%**	**1.97%**	**2.09%**	**1.95%**	**2.17%**	**2.10%**

Appendix V: Unilever Total Assets (Unilever annual reports and accounts, 2010–2020)

Consolidated balance sheet											
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	2020	2019	2018	2017	2016	2015	2,014	2013	2012	2011	2010
Total assets	67,659	64,878	61,165	62,137	56,516	52,405	48,027	45513	46189	47512	41172

Appendix W: Unilever Capital Employed (Unilever annual reports and accounts, 2010–2020)

Analysis

for the year ended 31 December

	€ million 2020	€ million 2019	€ million 2018	€ million 2017	€ million 2016	€ million 2015	€ million 2014	€ million 2013	€ million 2012	€ million 2011	€ million 2010
Market Cap	**131,579**	**149,410**	**143,270**	**163,200**	**115,630**	**120,730**	**120,420**	**116,520**	**116,700**	**105,630**	**95,400**
R&D%	1.58%	1.62%	1.77%	1.68%	1.86%	1.89%	1.97%	2.09%	1.95%	2.17%	2.10%
M&S %	13.98%	13.99%	14.02%	14.10%	14.67%	15.02%	14.79%	13.72%	13.18%	13.06%	13.70%
Non current op assets	51,502	48,376	45,633	45,078	42,545	39,612	35,680	33,296	33,959	33,128	28,549
WCR	(5,549)	(4,123)	(4,397)	(4,600)	(4,809)	(5,019)	(3,956)	(3,623)	(3,668)	(1,303)	(2,005)
non current op liabilities	(6,568)	(6,376)	(5,719)	(6,234)	(7,748)	(6,343)	(6,936)	(5,825)	(6,860)	(6,784)	(5,228)
OP capital employed	39,385	37,877	35,517	34,244	29,988	28,250	24,788	23,848	23,431	25,041	21,316
Capital Employed	**39,413**	**38,031**	**35,690**	**37,547**	**30,281**	**28,536**	**24,882**	**24,035**	**23,706**	**25,155**	**22,326**
Total capital employed as per Unilever	**47,067**	**43,828**	**40,961**	**38,471**	**35,873**	**32,279**	**28,385**	**28,131**	**30,374**	**29,581**	**27,564**

Appendix X: Nestlé Expected Free Cash Flow Growth (g) and Tobin's Q vs. AT ROCE/WACC (Nestlé annual reports, 2010–2020)

Calculation of g

Financial analysis	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Average Bond Yield CH	-0.50%	-0.43%	0.03%	-0.09%	-0.36%	0.05%	0.85%	0.84%	0.68%	1.47%	1.63%	STATISTA
Risk Premium	6.10%	6.20%	6.90%	7.10%	5.10%	5.40%	5.20%	5.60%	5.40%	5.70%	5.54%	STATISTA
Beta	0.4	0.47	0.53	0.64	0.7	0.69	0.58	0.6	0.57	0.53	0.51	Zacks
Return on Equity	1.94%	2.48%	3.69%	4.45%	3.21%	3.78%	3.87%	4.20%	3.76%	4.49%		
Return on equity	1.94%	2.48%	3.69%	4.45%	3.21%	3.78%	3.87%	4.20%	3.76%	4.49%		
Cost of debt	2.79%	3.78%	2.53%	3.46%	4.58%	4.05%	5.17%	4.30%	3.89%	2.94%		
WACC	2.02%	2.59%	3.56%	4.39%	3.29%	3.79%	3.93%	4.21%	3.77%	4.37%		
After tax ROCE	14.68%	16.20%	11.65%	9.09%	10.95%	11.46%	8.95%	12.45%	12.54%	12.89%		
AT ROCE / WACC	7.3	6.3	3.3	2.1	3.3	3.0	2.3	3.0	3.3	2.9		
g	-2.4%	-2.0%	-0.7%	2.2%	-0.7%	-0.1%	-1.9%	-0.8%	-2.4%	-1.5%		

After Tax ROCE/WACC

Financial analysis	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Market capitalization	293,644	301,771	237,363	256,223	226,310	233,267	232,565	208,372	189,886	172,584	184,562
Enterprise value (EV)	324,982	328,672	267,456	274,098	240,223	248,692	244,890	223,062	208,006	186,903	188,416
Market-To-Book (EV / CE)	4.2	4.1	3.0	3.4	3.0	3.1	2.9	2.8	2.6	2.6	2.8
AT ROCE / WACC	7.3	6.3	3.3	2.1	3.3	3.0	2.3	3.0	3.3	2.9	
g	-2.4%	-2.0%	-0.7%	2.2%	-0.7%	-0.1%	-1.9%	-0.8%	-2.4%	-1.5%	

Appendix Y: Danone Expected Free Cash Flow Growth (g) and Tobin's Q vs. AT ROCE/WACC (Danone annual reports, 2010–2020)

Calculation of *g*

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Average bond yield FR	-0.1%	0.5%	1.0%	1.0%	1.0%	1.2%	2.0%	2.5%	3.0%	3.5%	3.5%
BÉTA	0.68	0.57	0.65	0.76	0.75	0.56	0.32	0.31	0.35	0.38	0.52
Risk premium	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Return on equity	3.3%	3.3%	4.2%	4.8%	4.7%	4.0%	3.6%	4.0%	4.8%	5.4%	6.1%
Cost of debt	2.6%	3.0%	2.6%	4.1%	4.3%	4.6%	6.1%	6.5%	9.4%	8.8%	0.6%
Cost of the debt	1.8%	2.1%	1.8%	3.1%	3.0%	3.1%	4.1%	4.4%	6.7%	6.6%	0.4%
WACC	2.9%	3.1%	3.6%	4.5%	4.5%	3.9%	3.7%	4.1%	5.0%	5.5%	5.4%
AT ROCE	7.1%	9.1%	8.5%	8.8%	10.3%	9.5%	9.1%	10.1%	11.2%	11.1%	10.5%
g	(2.9%)	(2.9%)	(1.9%)	0.3%	(0.2%)	(1.0%)	(2.4%)	(2.4%)	(3.3%)	(2.7%)	(1.9%)

After-Tax ROCE/WACC

DANONE	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
AT ROCE / WACC	2.44	2.95	2.34	1.98	2.29	2.44	2.49	2.48	2.26	2.00	1.92
Tobin Q (CE)	1.72	2.01	1.88	2.06	2.22	2.15	1.90	1.94	1.76	1.67	1.68

Appendix Z: Declaration of Business Relationships Between Jean-Michel Severino and Clara Gaymard (Danone annual report, 2020)

Regarding Mr. Jean-Michel SEVERINO and Ms. Clara GAYMARD	It is recalled that Danone invests in numerous funds to support innovation and impact investing. Some of these funds being managed, on the one hand, by I&P, a company managed by Mr. Jean-Michel SEVERINO and, on the other hand, by Raise Conseil, a company co-founded by Ms. Clara GAYMARD, the Governance Committee and the Board of Directors reviewed the business relationships between Danone and the latter. Upon the recommendation of the Governance Committee, the Board determined that both Mr. Jean-Michel SEVERINO and Ms. Clara GAYMARD did not have any significant business relationship, either directly or indirectly, with the Company. The analysis of the significant nature of the business relationship focused on several criteria: • the customary nature of the investments undertaken by Danone in the funds concerned and their arm's length market conditions; • the absence of investments by Danone in all funds managed or launched by I&P, on the one hand, and by Raise Conseil, on the other; • the amount invested by Danone in the funds concerned which are not significant on Danone's scale since they represent only 3% (for the funds managed by I&P) and 4% (for those managed by Raise Conseil) of the total amount invested by Danone in societal, social impact or innovation funds; • the absence of Danone's participation in the decision-making bodies of these funds (Danone having only (i) one representative on the advisory committee of each of the two funds managed by I&P, and (ii) one representative on the strategy committee – which has an advisory role – of one of the two funds managed by Raise Conseil); • the absence of economic dependency or exclusivity between Danone, on the one hand, and each of the funds and management companies concerned, on the other hand, since (i) the amounts of these investments represent only a very small minority stake of the share capital of each fund concerned, alongside many other public and private investors who invest under the same conditions as Danone and (ii) Danone's investments in the funds concerned represent a small proportion of the financing of all the funds and programs managed or launched by I&P on the one hand (approximately 4%) and by Raise Conseil on the other (1.5%). The Board therefore deemed that Mr. Jean-Michel SEVERINO and Ms. Clara GAYMARD continued to meet all the independence criteria of the AFEP-MEDEF Code.

Appendix AA: Unilever Expected Free Cash Flow Growth (g) and Tobin's Q vs. AT ROCE/WACC (Unilever annual reports and accounts, 2010–2020)

Analysis

for the year ended 31 December

	€ million 2020	€ million 2019	€ million 2018	€ million 2017	€ million 2016	€ million 2015	€ million 2014	€ million 2013	€ million 2012	€ million 2011	€ million 2010
Tobin Q	**3.26**	**3.96**	**4.07**	**4.84**	**3.59**	**4.12**	**4.61**	**4.47**	**4.10**	**3.92**	**3.72**
ROCE	17.64%	19.87%	30.86%	23.28%	20.95%	24.17%	26.48%	28.37%	24.75%	23.63%	23.34%
Average Bond Yield NL	-0.38%	-0.07%	0.58%	0.52%	0.29%	0.69%	1.46%	1.96%	1.93%	2.99%	2.99%
Risk Premium	5.90%	5.70%	5.50%	5.60%	5.10%	5.90%	5.20%	6.00%	5.40%	5.50%	5.70%
Beta	0.5	0.59	0.81	0.87	0.74	0.76	0.8	0.75	0.76	0.78	0.75
Return on Equity	2.57%	3.29%	5.04%	5.39%	4.06%	5.17%	5.62%	6.46%	6.03%	7.28%	7.27%
Cost of debt	2.28%	2.48%	2.48%	2.28%	2.82%	3.80%	3.52%	4.16%	5.12%	3.81%	6.21%
WACC	2.53%	3.18%	4.67%	5.01%	3.94%	5.05%	5.45%	6.29%	5.98%	6.97%	7.19%
After tax ROCE	13.56%	14.71%	24.58%	18.94%	15.48%	18.21%	19.57%	20.79%	18.65%	17.76%	17.45%
AT ROCE / WACC	5.4	4.6	5.3	3.8	3.9	3.6	3.6	3.3	3.1	2.5	2.4
g	-2.3%	-0.6%	-1.8%	1.5%	-0.4%	0.9%	1.6%	2.2%	2.0%	3.4%	3.5%