Dealing With A Crisis: Top 10 "DO'S"

1

Identify and address potential vulnerabilities — even without an issue or crisis

- Consider strategies for addressing strategic, operational, financial and governance weaknesses

2

Assemble your team and hire outside partners, if needed

- Have a seat at the table and be involved in stakeholder conversations
- Ensure frequent updates to keep team members abreast of developments

3

Define your core messages / positioning

- Emphasize the solution, not the problem (if possible)
- Get messages out / take action — show, don't tell
- Decide in advance how far you can go (guidance, timeframes, actions / promises)

4

Take the high road — focus on your strengths

- Remember the goal — to earn confidence
- Be measured in your response; not every argument requires a rebuttal
- Don't over communicate — silence can be golden

5

Do not "put a box" around the situation too early

- Facts change and situations can unfold quickly. Issuing definitive statements around incomplete information is dangerous
- You will do more damage "back tracking" and correcting previous messaging

6

Maintain a stance of "business as usual"

- Settle in — crises can last a long time
- Be tactical in your use of management's time; try to quarantine the issue
- Communicate — but not always about the crisis itself

7

Keep your management team / Board informed and constructively engaged

- Help foster perception that management and Board are working hand-in-glove

8

Keep your stakeholders close (and remember you have friends)

- Have a sense of where people stand. Knowing who your friends and critics are will help shape your strategy
- Know and use third-party endorsers

9

Be prepared for rapid response to escalation

- Stay a step or two ahead: Prepare relevant PRs, statements, Q&As to respond to various crises, as appropriate

10

Consider breaking the rules (but only of communications)

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Common Activism Themes



Operational

- Reduce costs, improve margins
- Eliminate business lines or products
- Pursue new business strategies
- Hire consultant



M&A

- Sell company or other strategic transaction
- Spin-off or sell divisions or assets



Balance Sheet

- Implement new or larger share buyback program
- Implement special dividend
- Improve ROIC or give back



Corporate Governance

- Refresh and appoint new directors with "more relevant" expertise
- Change management
- Separate chairman / CEO role
- Declassify Board
- Reform compensation
- Implement other corporate governance changes (e.g., repeal poison pill, allow special meetings)

Activist "Playbook": Early Engagement Matters

Build Stake

- Accumulate initial stake (may include "hidden" economic ownership amassed through derivatives)
- Team up with other institutional or activist shareholders

Apply Pressure

- Request meetings with management and / or Board
- Send private letters threatening public action
- Issue open letters to Board

Seek Control Influence

- Demand Board seats
- Launch proxy fight

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Advance Preparation Critical

- ☑ Establish and leverage core team
- ☑ Be your own activist — assess and address potential vulnerabilities
- ☑ Stay close to shareholders — IR is the "early warning system"
- ☑ Track peer performance
- ☑ Keep board informed and constructively engaged
- ☑ Refine core messages and communications strategies (e.g., IR on steroids)
- ☑ Identify and cultivate third party supporters willing to speak on the Company's behalf
- ☑ Develop defense plan / conduct activism simulation to "test the plan"
- ☑ Identify spokespeople and conduct training as appropriate
- ☑ Refresh media relations program
- ☑ Make ESG a competitive advantage
  - ☑ Governance roadshow
  - ☑ Scorecard review
  - ☑ Proxy optimization

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