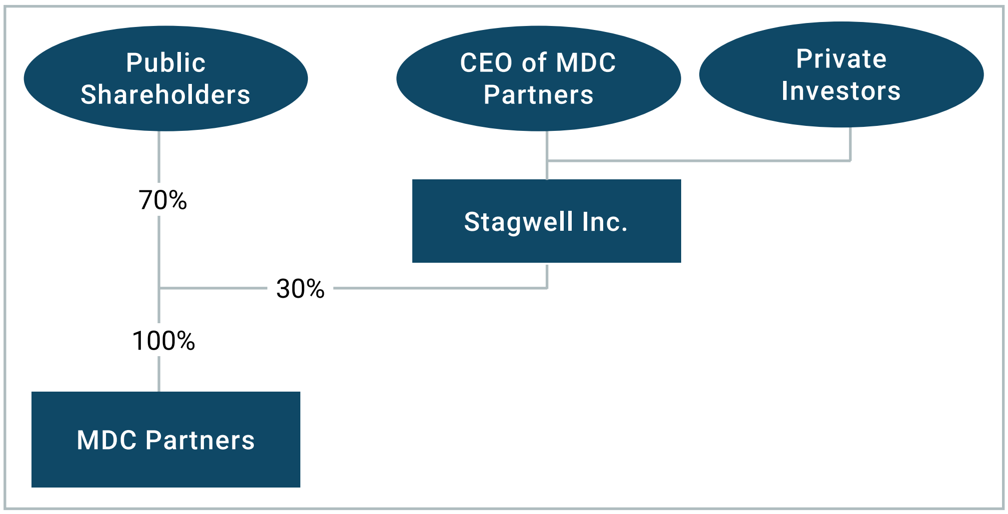
ESG ENGAGEMENT EXAMPLE
STAGWELL INC. (STGW)

This engagement is an example of Hotchkis & Wiley using its significant ownership stake to ensure board members would be accountable to all shareholders.

Hotchkis & Wiley owned 12% of MDC Partners (MDCA), a holding company that owns a variety of premier advertising agencies that were mismanaged. MDCA stock was trading at a substantial discount to the intrinsic value of the ad agencies they owned. In March of 2019, MDCA announced it hired a new CEO who also made a substantial investment in exchange for 30% ownership of MDCA. The CEO was also a CEO of Stagwell Inc., a holding company that owns a variety of premier, well-managed advertising agencies. The chart below illustrates the complex ownership structure, which created the potential for conflicts of interest.



In early 2021 the CEO of MDCA and Stagwell made an offer to merge Stagwell into MDCA. If the public shareholders of MDCA approved the merger, the public shareholders of MDCA would become minority shareholders of the combined entity. The initial terms of the merger offer were unsatisfactory on economic considerations as well as governance protections for minority shareholders. While other shareholders were aggressively negotiating for better economic terms, we noticed that no significant holder was advocating for better governance protections in the new entity for minority shareholders. As a 12% shareholder of MDCA, Hotchkis & Wiley was in a position to block the merger. Given this clout, we engaged with the MDCA board of directors and the company's general counsel over multiple meetings to advocate for better governance. This engagement resulted in the following shareholder protections:

1. All board members would need to be approved by at least 50% of the non-Stagwell shareholders;
2. Added two additional independent directors;
3. Majority of the board's key governance committees will be independent directors; and
4. Independent directors will oversee all related party transactions.

These provisions ensured that board members were ultimately accountable to all shareholders.

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