

November 17, 2021

To all members of the Board of Directors  
Activision Blizzard, Inc.  
c/o Corporate Secretary  
3100 Ocean Park Boulevard  
Santa Monica, CA 90405

Dear Activision Blizzard Board members,

We, the undersigned, write to you as Activision Blizzard, Inc. shareholders representing \$329 billion in assets under management or advisory. Our company faces an unprecedented workplace crisis of its own making. As new reporting indicates, and in contrast to past company statements, CEO Bobby Kotick was aware of many incidents of sexual harassment, sexual assault, and gender discrimination at Activision Blizzard, but failed either to ensure that the executives and managers responsible were terminated, or to recognize and address the systemic nature of the company's hostile workplace culture. Moreover, and despite numerous government investigations, settlements, and top executives' departures that have negatively affected both the company's public reputation and its share price, the board has been almost entirely silent.

We, therefore, call on Mr. Kotick to resign as CEO of the company, and on the board of directors to take responsibility for failing to recognize and address what the California Department of Fair Employment and Housing has described as a "frat boy" workplace culture to flourish. In order to ensure that the board has leadership capable of leading this effort, we urge Chairman Brian Kelly and Lead Independent Director Robert J. Morgado to announce their retirement no later than December 31, 2021. The board should start a search for more qualified replacements immediately.

In addition to terminating Mr. Kotick and replacing Messrs. Kelly and Morgado, we urge the board to immediately commit to the following:

- Retain an independent expert in corporate governance with a strong background in uprooting sexist and discriminatory workplace practices to conduct a review of past board practices, structure, and composition to determine how and why the board failed to address the company's "frat boy" culture before the public announcement of the California lawsuit.
- Independent of this review, commit to a thorough refreshment of the board to increase diversity and inclusion, a key element of which should be the nomination of a non-executive Activision Blizzard employee, selected through a fair and open process by the Activision Blizzard workforce, to serve as an Employee Director subject to election at the next annual meeting.
- If the Board does not terminate CEO Robert Kotick, include the announced voluntary reduction in total CEO pay in his employment contract for at least five years and auto-renew it if the stated workplace goals are not met. In addition, clarify if any other executives will accept similar reductions or if the company will eschew granting bonuses for this year.

**A Month of Turmoil Has Made Board Failure Indisputable**

Since July 20, when the State of California's Department of Fair Housing and Employment (DFHE) filed a lawsuit alleging widespread sexual harassment and discriminatory practices at the company, Activision Blizzard's board of directors has been completely silent. Since July, further revelations include 1) an amendment to the complaint filed by the Department which alleged that company employees were not preserving relevant documents as required, 2) an SEC investigation of the company's failure to disclose its discriminatory workplace practices and the corresponding risks in its filings, and 3) an Unfair Labor Practice charge alleging Activision broke federal labor law. Moreover, while on October 28 Activision Blizzard announced a series of new responses to the crisis, including a commitment to greater workforce diversity and zero-tolerance for harassment, this announcement failed to address the board's role in enabling the company's "frat boy" culture, and does not contemplate a review of past board practices and their contribution to the current crisis.

Most recently, a report published by the Wall Street Journal reveals that numerous internal documents contradict statements made by Mr. Kotick during this burgeoning crisis, and that in some instances he directly intervened to ensure that executives who were credibly accused of harassment were not terminated or were praised for their contributions to the company when they departed. Moreover, the report documents a number of instances where Mr. Kotick used violent and inappropriate language when responding to women reporting harassment, discloses that the initial response to the DFHE lawsuit was authored by Mr. Kotick despite his failure to publicly acknowledge his responsibility for what he subsequently characterized as a "tone deaf" statement, and that even women promoted to senior executive positions in the wake of this crisis experienced harassment and believed that "the company would never prioritize our people the right way."

Beyond justifying Mr. Kotick's termination, this growing list of investigations and grave allegations raises serious questions of whether Activision Blizzard's board is acting in the best interest of long-term shareholders. We find it implausible that sexist, discriminatory, and unlawful practices as widespread as those alleged in the California DFHE lawsuit could have occurred without the board's knowledge if the board had appropriate oversight practices in place. For this reason, we ask for an immediate independent investigation of the board's oversight policies and practices.

**New Board Leadership is Only the First Step**

The board's silence on workplace culture raises significant concerns about inadequate corporate governance practices at Activision Blizzard more broadly. Last spring, the board arbitrarily extended the voting period for one agenda item during its annual meeting to convince some shareholders to change their already-cast votes and support Management's Say on Pay (MSOP) proposal, an advisory vote. Despite this extraordinary effort, more than 44 percent of shareholders opposed the MSOP proposal.

Activision Blizzard's poor governance practices run deep. The board's leadership positions are dominated by a small group of extremely long-serving directors, an arrangement which many shareholders consider may compromise independence from management. The Nominating Committee has failed to refresh the board with appropriately diverse directors--five of ten current directors were on the board 18 years ago. In particular, the decision to allow Lead Independent Director Robert J. Morgado to simultaneously serve in this role and as both Chairman of the Nominating and Governance Committee and as Chairman of the Compensation Committee is problematic given the leadership focus

required by each of these three major board roles. The failure to refresh to board in a timely manner, as well as the majority shareholder “no vote” to the Compensation Committee’s executive pay proposals in 2020, raise concerns regarding the quality of these important committees’ work.

### **Structural Reforms of Board Practices Must Follow**

The replacement of Messrs. Kelly and Morgado is necessary but far from sufficient to restore shareholder confidence in the board. Under new and more diverse leadership, the Activision Blizzard board needs to reform its oversight practices and procedures to ensure that a crisis like the one the company is currently enduring does not occur in the future. While the board’s silence deprives shareholders of any clear understanding of what oversight practices have been, we believe that a thorough review by an established governance expert with a strong background in addressing sexist and discriminatory workplace cultures can provide the board and shareholders with much needed guidance as to the changes required to ensure effective oversight. That said, we believe that designating a board position to be filled by a non-executive employee, selected by the workforce through an open and fair process, as a nominee for election at next year’s annual meeting is a critical step in making credible the board’s commitment to ensuring a fair workplace.

Activision Blizzard is at a crossroads, and we call on the independent directors to lead the company’s ongoing response to the sexual harassment crisis. Absent the termination of Mr. Kotick and the thoroughgoing overhaul of the board of directors described above, we would be unable to support the re-election of incumbent directors and would urge our fellow shareholders to do the same. The time for timidity and silence, if there ever was one, has clearly passed, and it is time for the Activision Blizzard board of directors to step forward or step aside.

We look forward to hearing from you by December 20. Please contact Richard Clayton, the Research Director at the SOC Investment Group at [rclayton@socinvestmentgroup.com](mailto:rclayton@socinvestmentgroup.com).


Sincerely,



Sarah Couturier-Tanoh, Manager of Corporate Engagement & Advocacy  
Shareholder Association for Research & Education (SHARE)



Michela Gregory, Director ESG Services  
NEI Investments

DocuSigned by:  
  
58FB905CD218410...  
Christina Hobbs, Co-Founder & CEO  
Verve Super

A handwritten signature in blue ink, appearing to read 'Adam Verwey', with a long, sweeping horizontal stroke extending to the right.

Adam Verwey, Founder and Executive Director  
Future Super

A handwritten signature in blue ink, appearing to read 'Dieter Waizenegger', with a stylized, somewhat abstract ending.

Dieter Waizenegger, Executive Director  
SOC Investment Group