

March 22, 2024

## RE: Strive's Support of Trian Fund Management's Board Nominees

Fellow Shareholders,

The Walt Disney Company once represented the pinnacle of the family entertainment industry. But in recent years, Disney has replaced the magic that made it a success with divisive, value-destroying conduct that places highly charged ideology above its duty to investors. It has also suffered a slew of self-inflicted governance mistakes.

That's why **Strive is supporting Trian Fund Management's nominations of Nelson Peltz and James A. Rasulo to the Disney Board of Directors.**

Strive believes that Peltz and Rasulo represent shareholders' best opportunity to salvage and increase long-term value. Trian is one of the Top 10 institutional investors in Disney, giving its nominees every incentive to maximize shareholder value.<sup>1</sup> With \$3.5 billion invested in the company,<sup>2</sup> the logic is simple: *if Disney loses, Trian loses.* Trian's skin in the game stands in stark contrast to the less than \$15 million of Disney stock collectively owned by non-management directors.<sup>3</sup>

## Disney Has Abandoned Its Mission in Favor of Identity Politics

Disney's mission "is to entertain, inform and inspire people around the globe through the power of unparalleled storytelling, reflecting the iconic brands, creative minds and innovative technologies that make ours the world's premier entertainment company."<sup>4</sup> These days, however, the company acts more like a political lobbyist than a "premier entertainment company."

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<sup>1</sup> "The Walt Disney Company (DIS)," Yahoo Finance, accessed February 20, 2024, <https://finance.yahoo.com/quote/DIS/holders/>.

<sup>2</sup> Trian Fund Management, "Trian Sends Letter to Fellow Disney Shareholders Starved of Returns," Restore the Magic, February 14, 2024, <https://restorethemagic.com/trian-sends-letter-to-fellow-disney-shareholders-starved-of-returns/>.

<sup>3</sup> Trian Fund Management, "Trian Nominates Two Candidates to the Walt Disney Company Board," Restore the Magic, December 14, 2023, <https://restorethemagic.com/trian-nominates-two-candidates-to-the-walt-disney-company-board/>.

<sup>4</sup> Walt Disney Company, "About the Walt Disney Company," accessed March 14, 2024, <https://thewaltdisneycompany.com/about/>.

As we explained in our letter to Disney in September 2022,<sup>5</sup> Disney has continually decided to wade into political controversy, to the detriment of its shareholders. It threatened to stop filming in Georgia over its abortion laws. It took heat for being perceived to take a stance on the Supreme Court's decision overturning *Roe v. Wade*. And it faced backlash after firing actress Gina Carano over her conservative viewpoints – a firing for which Disney is now facing a costly and very public lawsuit – which is being backed by Elon Musk.

But there was no controversy more public, or more costly, than Disney's botched opposition to Florida's Parental Rights in Education bill. The law itself – which prohibits public schools from giving lessons on sexual orientation and gender identity to children in kindergarten through third grade – was largely popular, commanding the support of a majority of both Republicans and Democrats.<sup>6</sup> Yet in March of 2022, Disney CEO Bob Chapek joined activists in denouncing the measure.<sup>7</sup> He further pledged to fight similar legislation across the country and attempted to donate \$5 million of investors' cash to opponents of the bill to do the same.<sup>8</sup>

Disney's decision to choose sides on such a debate is perplexing, and costly to shareholders. There was internal division and distraction. Bad publicity. Boycotts. Courtroom battles. Abandoned billion-dollar projects, with sunk costs along with hundreds of millions of dollars in tax breaks left on the table. And an almost unfathomable reputational hit, as Disney's public approval rating plummeted from 77% to 33% in a single year.

Following our letter and blowback from other shareholders, Disney fired CEO Bob Chapek. We applaud the board's move in recognizing the damage that Chapek had inflicted on the company and its attempt to mitigate these harms.

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<sup>5</sup> Strive Letter to Disney, September 19, 2022, <https://www.strive.com/strive-asset-management-letter-to-disney>.

<sup>6</sup> Florida Senate, *Parental Rights in Education Act*, 4. The Florida Board of Education subsequently expanded the measure to cover grades 4-12. <https://www.pbs.org/newshour/politics/florida-board-of-education-expands-dont-say-gay-classroom-ban-to-all-grades>.

<sup>7</sup> Ivana Saric, "Disney CEO Says Company Opposes 'Don't Say Gay' Bill," Axios, March 9, 2022, <https://www.axios.com/2022/03/09/disney-ceo-oppose-dont-say-gay>. For the actual text of the bill, please see Florida Senate, *Parental Rights in Education Act*, HB 1557, 2022 Legislature, introduced in Senate February 24, 2022, <https://www.flsenate.gov/Session/Bill/2022/1557/BillText/er/PDF>.

<sup>8</sup> Jill Goldsmith, "Disney CEO Bob Chapek Finally Slams 'Don't Say Gay' Bill, Says Tried to Work 'Behind the Scenes'; Will Donate \$5M, Meet with Florida Gov. Ron DeSantis - Update," Deadline, March 9, 2022, <https://deadline.com/2022/03/disney-bob-chapek-dont-say-gay-florida-1234974584/>.

Unfortunately, it's clear that Chapek's ouster hasn't changed the company's course.

The company continues to drive overtly politicized content that **alienates** consumers, as it pushes "Inclusion Standards" that are so over the top that it received a **civil rights complaint** for allegedly engaging in unlawful discrimination.<sup>9</sup> These inclusion standards essentially set racial, gender and LGBTQ+ quotas for on-screen talent, thematic presentation, behind the scenes leadership and staff, vendors, and contractors.<sup>10</sup> On screen, for example, Disney has committed to "exploring queer stories" and created a tracker to make sure they are creating enough "gender nonconforming characters, canonical trans characters, [and] canonical bisexual characters."<sup>11</sup> Disney has also pledged to create "many, many, many LGBTQIA characters in our stories," with the goal of a minimum 50% of characters being of an LGBT orientation or racial minority.<sup>12</sup> This isn't premier entertainment. It's proselytizing.

But moviegoers have rejected Disney's agenda. For instance, both *Strange World* and *Lightyear* topped *Deadline's* list of, "The Biggest Box Office Bombs Of 2022."<sup>13</sup> *Strange World*, which featured "a biracial, openly gay teenager who gets completely tongue-tied when he's near his crush," lost nearly \$200 million at the box office.<sup>14</sup> And

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<sup>9</sup> Allysia Finley, "Wokeness Hobbles Disney as It Faces the Streaming Challenge," *Wall Street Journal*, July 23, 2023, <https://www.wsj.com/articles/wokeness-hobbles-disney-as-it-faces-the-streaming-challenge-bob-iger-snow-white-7e1ac436?st=mcv5v3na3tbco55>; America First Legal, "America First Legal Files Federal Civil Rights Complaint against the Walt Disney Company for Illegal Race and Sex Discrimination," February 14, 2024, <https://aflegal.org/america-first-legal-files-federal-civil-rights-complaint-against-the-walt-disney-company-for-illegal-race-and-sex-discrimination/>.

<sup>10</sup> Lesley Goldberg, "ABC Unveils Ambitious Set of Inclusion Standards (Exclusive)," *Hollywood Reporter*, September 30, 2020, <https://www.hollywoodreporter.com/tv/tv-news/abc-unveils-ambitious-set-of-inclusion-standards-exclusive-4069409/>.

<sup>11</sup> Maggie Hroncich, "Leaked Videos Expose Disney's 'Not-at-All-Secret Gay Agenda'," *Daily Signal*, March 30, 2022, <https://www.dailysignal.com/2022/03/30/leaked-videos-expose-disneys-not-at-all-secret-gay-agenda/>.

<sup>12</sup> Maggie Hroncich, "Leaked Videos."

<sup>13</sup> Anthony D'Alessandro, "The Biggest Box Office Bombs of 2022: *Deadline's* Most Valuable Blockbuster Tournament," *Deadline*, April 14, 2023, <https://deadline.com/2023/04/biggest-box-office-bombs-2022-lowest-grossing-movies-1235325138/>.

<sup>14</sup> *Id.*; Michaela Zee, "'Strange World' Cast and Creators on the Disney Film's Biracial, LGBTQ Character: 'You Don't Have to Normalize Normal. It Just Is'," *Variety*, November 15, 2022, <https://variety.com/2022/film/news/strange-world-gay-biracial-character-jaboukie-young-white-1235432785>.

*Lightyear*, which featured the company's first-ever same-sex animated kiss, lost just over \$100 million.<sup>15</sup>

Disney has also faced backlash for creating racially charged content targeted towards children. This includes a cartoon featuring kids debating slavery and reparations arguing that America "owes" black people because America "still has not atoned for" systemic prejudice,<sup>16</sup> and for recasting iconic characters like the Little Mermaid as ethnic minorities to pursue DEI goals.<sup>17</sup> It's no surprise then that according to one box office analyst, by June 2023, Disney had lost nearly \$900 million on its last eight releases.<sup>18</sup> Its losing streak continues: after *The Marvels* lost \$75 million in November, a Disney executive blamed Disney's own fans for being bigoted.<sup>19</sup>

Disney's recent controversies aren't limited to its on-screen content. Disney's current CEO Bob Iger further waded into controversy by joining an advertiser boycott of X (formerly Twitter) over the platform's free speech policies, drawing the ire of Elon Musk and free speech advocates alike.<sup>20</sup>

Worst of all, Disney *knows* its politicized conduct is risky. In a recent 10-K filing to the U.S. Securities and Exchange Commission, Disney admitted that its overt politicization posed a material risk to its shareholders and potential investors because of

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<sup>15</sup> Abbey White, "Disney Restores Same-Gender 'Lightyear' Kiss Following 'Don't Say Gay' Backlash," *The Hollywood Reporter*, March 18, 2022, <https://www.hollywoodreporter.com/movies/movie-news/disney-restores-same-gender-pixar-lightyear-kiss-1235114642/>; Anthony D'Alessandro, "The Biggest Box Office Bombs of 2022: Deadline's Most Valuable Blockbuster Tournament," *Deadline*, April 14, 2023, <https://deadline.com/2023/04/biggest-box-office-bombs-2022-lowest-grossing-movies-1235325138/>.

<sup>16</sup> Kendall Tietz, "Disney slammed for 'anti-White propaganda' in new 'The Proud Family' reboot," *Fox News*, February 6, 2023, <https://www.foxnews.com/media/disney-slammed-anti-white-propaganda-proud-family-reboot>.

<sup>17</sup> Tayo Bero, "The global backlash against The Little Mermaid proves why we needed a Black Ariel," *The Guardian*, June 9, 2023, <https://www.theguardian.com/commentisfree/2023/jun/09/the-little-mermaid-global-backlash-black-ariel>

<sup>18</sup> Hank Berrien, "Woke Disney Lost Almost \$900 Million On Last 8 Films: Report," *The Daily Wire*, June 27, 2023, <https://www.dailywire.com/news/woke-disney-lost-almost-900-million-on-last-8-films-report>.

<sup>19</sup> David Thompson, "Disney Exec Blames The Marvels Flop on Bigoted Audience Members," *The Direct*, February 22, 2024, <https://thedirect.com/article/disney-the-marvels-blames>

<sup>20</sup> Douglas MacKinnon, "Elon Musk Declares War on Disney and Bob Iger," *The Hill*, December 9, 2023, <https://thehill.com/opinion/technology/4350390-elon-musk-declares-war-on-disney-and-bob-iger/>; Barbara Ortutay, "Musk's X Sues Liberal Advocacy Group Media Matters over Its Report on Ads Next to Hate Groups' Posts," Associated Press, November 21, 2023, <https://apnews.com/article/elon-musk-media-matters-lawsuit-advertising-neonazi-1fe499daa600f513af27ffa68d2e8b91>

“misalignment with public and consumer tastes.”<sup>21</sup> “[C]onsumers’ perceptions of our position on matters of public interest, including our efforts to achieve certain of our environmental and social goals, often differ widely and present risks to our reputation and brands,” the company conceded.<sup>22</sup>

Fixing Disney isn’t rocket science. The audience wants to be entertained, not lectured. Acknowledging the risk is meaningless without change. And much change is needed not just regarding the company’s political activities, but also in Disney’s corporate governance.

## Disney’s Corporate Governance Needs a Course Correction

**Triam’s nominees are calling for sorely needed reforms.** Peltz and Rasulo have identified two key corporate governance goals that Strive agrees are imperative to maximizing shareholder value at Disney.

**First, Triam wants Disney to “finally complete a successful CEO succession.”**<sup>23</sup> We couldn’t agree more. CEOs are the backbone of any organization; planning and executing the effective succession of one is one of the most important duties possessed by a board. Failure to complete this most basic task is simply not an option. Nonetheless, it seems the current Disney board has done just that. Not only did current CEO Bob Iger’s hand-picked successor, Bob Chapek, end his tenure in disaster, but Iger, who was only supposed to return long enough to oversee the next successful transition, recently had his contract extended by Disney’s board through 2026.<sup>24</sup>

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<sup>21</sup> Walt Disney Co., Annual Report (Form 10-K) (filed November 21, 2023),

<https://www.sec.gov/Archives/edgar/data/1744489/000174448923000216/dis-20230930.htm>, 19.

<sup>22</sup> Walt Disney Co., Annual Report, 19; see also Ariel Zilber, “Struggling Disney Hints Its Woke Politics ‘Present Risks to Our Reputation and Brands,’” *New York Post*, November 28, 2023,

<https://nypost.com/2023/11/28/business/disney-hints-woke-politics-present-risks-to-reputation-and-brands/>.

<sup>23</sup> Triam Fund Management, “Disney has Underperformed,” Restore the Magic, accessed February 20, 2024, <https://restorethemagic.com/>.

<sup>24</sup> Alex Sherman, “Disney’s Wildest Ride: Iger, Chapek and the Making of an Epic Succession Mess,” CNBC, September 6, 2023, <https://www.cnbc.com/2023/09/06/disney-succession-mess-iger-chapek.html>;

Eleanor Pringle, “Bob Iger Has ‘Systemically Eliminated’ Any Successor Candidates, Says Former Disney CFO and Board Member,” *Fortune*, January 25, 2024,

<https://fortune.com/2024/01/25/bob-iger-disney-successor-candidates-gary-wilson-fears/>;

Walt Disney Company, “The Walt Disney Company Board of Directors Extends Robert A. Iger’s Contract as CEO through 2026,” July 12, 2023, <https://thewaltdisneycompany.com/the-walt-disney-company-board-of-directors-extends-robert-a-igers-contract-as-ceo-through-2026/>.

This is wholly unacceptable. At any other job, if an individual were to fail at his or her core function, they would be fired or forced to resign. Yet Disney is **urging** shareholders to preserve the status quo.<sup>25</sup> Strive fails to see why Disney's board gets a pass.

**Second, Peltz and Rasulo seek to “align management pay with performance.”**<sup>26</sup> Strive agrees.

Strive cares deeply about how company executives are paid. If executives get bonuses based on pursuing diversity or fighting climate change, rather than driving efficiency and innovation, then executives tend to steer the whole company in that direction. Outside stakeholders and activists may be able to claim victory, but shareholders lose. When pay is tied to how the company performs, in contrast, executives drive the company towards financial success. For that reason, Strive agrees with Peltz and Rasulo that pay should be tied to financial performance alone.

In Disney's case, its pay policies are in desperate need of reform. Disney awards **bonuses** to its executives based on whether or not the company meets certain race and gender based hiring quotas.<sup>27</sup> The compensation committee of the board is so integral to pushing DEI at Disney that it noted in its proxy statement for the upcoming annual meeting that it amended that committee's charter to “expand[] the Compensation Committee's oversight of workforce equity matters to include: diversity, equity and inclusion initiatives.”<sup>28</sup> This year, the committee rewards executives for producing content that features actors of certain races and politically divisive messaging. Such metrics allow execs to obtain bonuses and raises by meeting ancillary objectives such as ESG and DEI goals regardless of company performance. Disney's Compensation Committee applied an astounding factor of 145% when it came to CEO Bob Iger's meeting “other” performance factors including diversity and inclusion, contributing to his receipt of a more than **\$2 million bonus** in 2023.<sup>29</sup> This is despite the fact that by the fall of 2023, nearly a year after Iger's return, Disney stock had reached an eight-year low.<sup>30</sup>

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<sup>25</sup> Walt Disney Company, “Disney Board of Directors Sends Letter to Shareholders, Emphasizes Strong Results and Commitment to Driving Long-Term Shareholder Value,” February 12, 2024, <https://thewaltdisneycompany.com/disney-board-shareholders-letter/>.

<sup>26</sup> Triam Fund Management, “Disney has Underperformed.”

<sup>27</sup> Walt Disney Co., Form DEFC14A, 46.

<sup>28</sup> Walt Disney Co., Form DEFC14A, 6.

<sup>29</sup> Walt Disney Co., Form DEFC14A, 49.

<sup>30</sup> Robbie Whelan, “Disney Stock Closes at Lowest Level since 2015,” *Wall Street Journal*, September 7, 2023, <https://www.wsj.com/livecoverage/stock-market-today-dow-jones-09-07-2023/card/disney-stock-hits-lowest-in-years-u4dzRwxRgVoQ7OvDh7A7>.

Disney's pay policy is unacceptable. Individuals should not be rewarded with millions of dollars in bonuses during times of flat or poor performance. Strive therefore welcomes the appointment of two new board members who share these views.

## Disney Shareholders Will Benefit from Trian's Slate

Strive believes shareholders deserve better than the failed status quo that has to led headlines such as "Disney Stock has Worst Year Since 1974."<sup>31</sup> Shareholders shouldn't be confined to a slate of candidates who will do nothing more than peddle the same tone-deaf strategies that hurt investors in the first place.

Not only do Trian's nominees have significant skin in the game, **they also possess the experience and expertise to succeed.** Nelson Peltz is the CEO and a founding partner of Trian Fund Management. Peltz has served on 11 corporate boards, including Heinz, P&G, Unilever, and Wendy's (where he's currently chairman).<sup>32</sup> Former Wendy's CEO Emil Brolick praised Peltz and Trian as having "played an important role in Wendy's brand transformation and financial improvement."<sup>33</sup> Peltz's ability to turn around name-brand companies is impressive. After he was given a board seat at Procter & Gamble in 2017, he "quickly dismantled its jumbled management structure" which greatly benefited shareholders.<sup>34</sup> By the time he stepped down four years later the stock was up 58%. And even companies that initially reject Peltz's overtures often later embrace his acumen. For example, DuPont successfully fought Peltz's efforts to get a board seat, but then turned to Trian for help with its merger with Dow "marking the arrival of a new era of activist investing."<sup>35</sup> Heinz fought to keep Peltz from joining its board in 2006, but by 2008 Heinz's CEO did an about-face saying, "if I were to form the

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<sup>31</sup> Charley Grant, "Disney Stock Has Worst Year since 1974," *Wall Street Journal*, December 29, 2022, <https://www.wsj.com/livecoverage/stock-market-news-today-12-29-2022/card/disney-stock-has-worst-year-since-1974-vNrhEapyLk69MkgYh8YN>.

<sup>32</sup> Trian Fund Management, "Meet Board Candidate Nelson Peltz," *Restore the Magic*, accessed February 20, 2024, <https://restorethemagic.com/meet-nelson-peltz/>.

<sup>33</sup> Trian Fund Management, L.P., DFAN14A EX-2 (filed March 12, 2015), [https://www.sec.gov/Archives/edgar/data/30554/000093041315001188/c80631\\_ex2.htm](https://www.sec.gov/Archives/edgar/data/30554/000093041315001188/c80631_ex2.htm).

<sup>34</sup> Cara Lombardo and Lauren Thomas, "Nelson Peltz Fights Disney – and Turmoil at His Own Fund," *The Wall Street Journal*, March 17, 2024, [https://www.wsj.com/finance/investing/nelson-peltz-disney-trian-hedge-fund-216ba647?mod=hp\\_listc\\_pos2](https://www.wsj.com/finance/investing/nelson-peltz-disney-trian-hedge-fund-216ba647?mod=hp_listc_pos2).

<sup>35</sup> David Benoit, "Dow, DuPont Deal Cements Activists' Rise," *The Wall Street Journal*, December 11, 2015, <https://www.wsj.com/articles/dow-dupont-deal-cements-activists-rise-1449882586>.

board today, Nelson would be one of the first directors I'd ask to serve because he is an insightful, communicative, enthusiastic, energetic and available director."<sup>36</sup>

James A. Rasulo is equally well qualified. As the former Chief Financial Officer and a 30-year veteran of Disney, he has intimate knowledge of the Company's inner workings. During his tenure, Rasulo was instrumental with park pricing and strategy, developing resort hotels, and "was credited with turning around Disneyland Resort's finances and planning a \$1.1 billion remodeling of its California Adventure theme park."<sup>37</sup> During his stint as CFO, the company's stock increased about 260%.<sup>38</sup> In addition, Rasulo brings board-level experience from his time on the iHeartMedia Inc. and the Saban Capital Acquisition Corporation boards, as well as from his time as Chairman of the U.S. Travel Association and Chairman of the U.S. Travel and Tourism Promotion Advisory Board.<sup>39</sup> Further, Rasulo recognizes that "shareholders deserve 'objective, passionate, owner-focused representatives' to hold the company's management accountable."<sup>40</sup> That's exactly right.

It is even easier to support Peltz and Rasulo given the board members they are seeking to replace. Maria Lagomasino supports Disney's politicized strategy and has been praised by Disney for her "formal service in an ESG thought leadership role." She is also the chair of Disney's executive compensation committee, which has created and maintained perverse incentives for executives to prioritize diversity goals over financial ones.<sup>41</sup>

The second board member Triam seeks to replace is Michael Froman. Like Lagomasino, Froman also supports Disney's pursuit of ESG. Disney's own proxy statement touts that Froman brings experience in "environmental and social policy implementation."<sup>42</sup>

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<sup>36</sup> J.P. Donlon, "H. J. Heinz Chairman & CEO Bill Johnson: The Innovation Playbook," *Chief Executive*, <https://chiefexecutive.net/h-j-heinz-chairman-ceo-bill-johnson-the-innovation-playbook/>.

<sup>37</sup> Robbie Whelan, "Meet the Former CFO Who Thinks He Can Fix Disney," *The Wall Street Journal*, February 25, 2024, [https://www.wsj.com/business/media/meet-the-former-cfo-who-thinks-he-can-fix-disney-10173362?mod=Searchresults\\_pos2&page=1](https://www.wsj.com/business/media/meet-the-former-cfo-who-thinks-he-can-fix-disney-10173362?mod=Searchresults_pos2&page=1).

<sup>38</sup> "The Walt Disney Company (DIS)."

<sup>39</sup> Triam Fund Management, "Meet Board Candidate Jay Rasulo," *Restore the Magic*, accessed February 20, 2024, <https://restorethemagic.com/meet-jay-rasulo/>.

<sup>40</sup> Robbie Whelan, "Meet the Former CFO Who Thinks He Can Fix Disney," *Wall Street Journal*, February 25, 2024, <https://www.wsj.com/business/media/meet-the-former-cfo-who-thinks-he-can-fix-disney-10173362>.

<sup>41</sup> Walt Disney Co., Form DEFC14A, 14, 24

<sup>42</sup> Walt Disney Co., Form DEFC14A, 14, 21.

In 2023, Strive voted against both of these board members for their value destructive, pro-ESG stances. In 2024, Strive embraces the opportunity to replace them with nominees who will put shareholders first.

In short, the current Disney board of directors has failed at the most basic corporate governance duties and oversees one of the most polarizing companies in America. Whether change is needed on the Disney board is not the question. We already know the answer is an emphatic “yes.” The question is what kind.

Peltz and Rasulo have vowed to serve as true shareholder representatives who will fight to maximize shareholder value, and they have the experience and expertise to make that happen. Strive proudly supports their nomination.

Sincerely,



Matt Cole  
CEO and CIO



Justin Danhof  
EVP and Head of Corporate Governance