

## A New Front Opens for Activist Investors

*JANA Partners Teams Up with CalSTRS for an Open Letter to Apple on ESG Issues  
New Initiative Signals a Broadening Cultivation of Institutional Investors by Activists*

On Saturday, January 6th, activist investor JANA Partners and the California State Teachers' Retirement System (CalSTRS) sent an [open letter](#) to Apple Inc. outlining a series of potential steps they would like the company to take to help combat "unintentional negative consequences" of the overuse of technology in children and teens. The partnership of an activist investor and a public pension fund working together to address issues of long-term sustainability is reflective of a larger trend of activists cultivating relationships in the broader investor community to amplify their impact on public companies.

### Open Letter

The letter sent to Apple's Board of Directors highlights a series of medical studies on the impact of personal technology on children and young adults and notes that a developing consensus has emerged around two topics: that parents should try to ensure a "developmentally optimal" amount and type of access to technology and that the potential long-term consequences of new technologies "need to be factored in at the outset" by companies who create these products. As a result, the investors asked that Apple take a series of steps including forming an expert committee, creating new tools and options for parental controls and issuing annual progress reports on the issue. Apple [responded](#) to the investors on Monday by outlining the parental controls it had in place and stating that it had "new features and enhancements planned for the future, to add functionality and make these tools even more robust."

### The Letter in Context

This letter is the latest in a series of moves made by investors, such as [Triun Partners'](#) activist campaign this summer, which demonstrate both the increasing attention being paid to the integration of environmental, social and governance ("ESG") factors into investment frameworks and the importance for public companies to stay ahead of these issues with investors. What was once the domain of investors with explicit social responsibility mandates has now crossed over as an issue that even activists with a heavily economic focus are addressing. Market pressure on investors to incorporate these issues into their investment process is having the effect of blurring some of the distinctions between traditional "short-term" and "long-term" investment models.

As ESG issues have become key areas of interest for specialized proxy voting teams at institutional investors, JANA's leadership in targeting these risk factors is likely to have a "halo" effect on their reputation within the investor community. It may also help them gain the support of voters at key investors (in particular index investors), increase their leverage in traditional economic activist campaigns and attract capital to a new fund to be launched later this year named JANA Impact Capital.

### Takeaways for Issuers

There are two main factors driving activist market participants' approach on these key ESG matters: the need to satisfy their commitments to clients and organizations such as the [Principles for Responsible Investment](#) around ESG goals and the opportunity to build relationships and position themselves more effectively with a broader group of investors. The JANA / CalSTRS partnership reflects the need for companies to be prepared for further escalation of pressure on ESG issues and underscores the importance of effective, proactive engagement with investors and asset owners on these topics. While governance teams are the primary audience for this engagement today, it is foreseeable that in the coming years, investor relations teams will need to be prepared to discuss these issues with active equity managers. Clearly demonstrating the rigor with which management and the board evaluate, disclose and manage ESG risks through proactive engagement with institutional investors and other key constituencies will reduce an activist's opportunity to gain leverage over companies and, consequently, reduce the likelihood of activist intervention.

## Authors



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## About CamberView Partners

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