

August 5, 2021

Robert J. Morgado
Lead Independent Director
Activision Blizzard, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405

Dear Mr. Morgado:

While we appreciate the improved tone and increased detail in CEO Kotick's recent letter to Activision Blizzard employees, customers, and shareholders,¹ the changes Mr. Kotick has announced do not go nearly far enough to address the deep and widespread issues with equity, inclusion, and human capital management at the company. To wit:

- No changes have been announced or proposed that would in any way alter the current process for filling vacancies either to the board of directors or to senior management.
- No changes have been announced with respect to executive pay, either with respect to clawing back compensation from executives who are found to have engaged in or enabled abusive practices, or to align executives with the equity goals Mr. Kotick articulated.
- The announced review by Wilmer Hale is deficient in a number of ways: this firm has a sterling reputation as a defender of the wealthy and connected, but it has no track record of uncovering wrongdoing, the lead investigator does not have in-depth experience investigating workplace harassment and abuse, and the scope of the investigation fails to address the full range of equity issues Mr. Kotick acknowledges.

We believe that to ensure smooth operations and a strong reputation going forward, Activision Blizzard should commit to the following changes:

- Increase board diversity and equity by adding a woman director – preferably one with a history of advocacy for marginalized people and communities - by the end of 2021, committing to gender-balance on the board by 2025, and reserving at least one board seat for a nominee selected by current employees as their representative.
- Claw back bonuses from executives found to have engaged in or enabled abusive behavior, award no bonuses for 2021, and make future bonus awards contingent on the company as a whole achieving clearly articulated and independently verified milestones for diversity and equity.
- Undertake a company-wide Equity Review, similar to the Racial Equity Reviews that Facebook, Air B&B, Starbucks, and BlackRock have completed or promised, but that will encompass the full range of concerns (including inequities rooted in gender, gender-identity, sexuality, and race) articulated by Mr. Kotick, Activision Blizzard employees, and customers: equity and representation issues in game design, the development process, and in user forums and similar settings.

The SOC Investment Group, formerly known as CtW Investment Group, is an Activision Blizzard shareholder and works with pension funds sponsored by unions affiliated with the Strategic Organizing Center, a coalition of four unions representing more than four million members, to enhance long term shareholder value through active

¹ <https://www.theverge.com/2021/7/27/22597166/activision-blizzard-ceo-bobby-kotick-letter-sexual-harrasment-allegations>

ownership. These funds have over \$250 billion in assets under management and are also substantial Activision Blizzard shareholders.

Diversity and Equity on the Board of Directors

Currently, Activision Blizzard's ten-member board of directors includes only two women and one person of color. Consequently, Activision Blizzard is behind the average for both the S&P 500 and the Fortune 500 with respect to women directors, and would also need to add one woman to its board by the end of 2021 to comply with California's SB-826. Furthermore, four current directors have served for well over ten years, while four more will have reached ten years of service by 2025. As many institutional investors have recognized that director independence wanes with long board service, shareholders increasingly call on boards to refresh their composition by replacing directors after they have completed a decade on the board. Finally, none of the current directors appears to have working experience as a game designer, coder, or tester. But as current events clearly demonstrate, the board's lack of such experience has left it struggling to respond to a burgeoning crisis that all indications suggest has been building for some time. By requiring the Nominating and Governance Committee to nominate an employee designated by Activision Blizzard's workforce to serve as a representative director, the board would both demonstrate to the entire Activision Blizzard team that their views are important and will be heard at the highest level of the company, and ensure that the board will not be caught out in similar fashion in the future.

Align Executive Pay With Diversity and Equity Commitments

As we have relayed in a number of previous communications, we do not believe that the board and its Compensation Committee have been appropriately designing and awarding bonuses in the recent past. We believe that the recent vote on Activision Blizzard's "Say on Pay" proposal demonstrates that we are far from the only shareholders taking this view. In light of the evident, widespread, and to date unaddressed problem of sexual harassment at the company, as well as the excessive bonus awards in the recent past, we believe that no bonuses should be awarded to executives for the current year. Additionally, Activision Blizzard should ensure that its pay practices align with its equity and diversity goals by adopting a policy that it will not award bonuses to executives unless independently verified diversity and equity milestones have been achieved.

A Comprehensive Equity Review Led By Investigators With Relevant Experience

In addition to acknowledging the tone deaf character of the company's initial response to the State of California suit, Mr. Kotick's letter described an investigation for which the law firm Wilmer Hale has been retained, and which will be led by Stephanie Avakian, former Chief of Enforcement for the SEC. While we certainly agree that a comprehensive examination of harassment allegations did not take place previously and is imperative now, and further agree with Mr. Kotick that other aspects of Activision Blizzard's operations, such as inappropriate in-game content, need to be addressed, we are unconvinced that either Ms. Avakian or Wilmer Hale are the appropriate partners in this process. As Ms. Avakian's numerous public biographies attest, she has had a distinguished career as a corporate defense attorney and in enforcing securities law. Unfortunately, she appears to have had no experience investigating or prosecuting allegations of abuse, harassment, or discrimination. Moreover, Wilmer Hale has a sterling reputation in the corporate criminal defense and lobbying worlds, but little track record as an advocate for the abused, harassed, or discriminated against.

Given that several major corporations, including Facebook, Airbnb, Starbucks, and BlackRock have undertaken or committed to what has been variously described as a racial equity, civil rights, or human rights audit, we believe that counsel with much more directly relevant investigatory experience is readily available, and would be much more likely to reassure Activision Blizzard employees that their experiences will be heard and honestly presented to the board and senior management. Activision Blizzard should retain such expertise to conduct its own equity audit that would extend beyond the confines of reporting and compliance and address the full range of equity issues affecting Activision Blizzard's workplaces, operations, games, and user communities.

At this critical juncture in Activision Blizzard's history, we urge you and the board to push beyond the inadequate response from management and take the steps necessary to protect our investment from the financial, operational, and reputational risks that have come to the fore over the past week. We would be happy to discuss our concerns and

proposals at your convenience. Please contact our Research Director Richard Clayton at rclyton@socinvestmentgroup.com.

Sincerely,

A handwritten signature in blue ink, appearing to read "Dieter Waizenegger". The signature is stylized and cursive.

Dieter Waizenegger, Executive Director