

22<sup>h</sup> June 2021

Board of Directors  
Loews Corporation  
667 Madison Avenue  
New York, NY 10065

Dear Board of Directors

Talaria Capital manages AUD 450m in its global equity fund. Over the last decade it has delivered compound annual returns of more than 10% with lower average market exposure than is usual.

Talaria owns 83,900 Loews Shares.

### **Engagement**

As part of our investment process, we consider various ESG factors. We believe that risks associated with ESG can, amongst others, affect profitability, cost of capital and shareholder return. We also believe that these risks are growing as stakeholders become increasingly aware of such matters.

### **Governance**

Although garnering less attention than environmental impact and sustainability, governance is an important factor when considering an investment.

As laid out in your annual report, a key focus of management is on the prudent allocation of capital for the benefit of the company, its employees and its stockholders. As a company we strongly believe in the power of incentives and find it troubling that the allocation of capital is not reflected in the short- or long-term incentive structure of Loews management. The largely discretionary nature of Adjusted Net Income for the purposes of short-term incentives and the lack of disclosure on what the targets are and lack of returns-based measures within the framework of the Performance-Based Stock-Based awards we feel is poor and should be addressed.

From our perspective as shareholders, we feel it more appropriate that management be incentivised on a combination of Returns based financial metrics which better reflects the job of management in allocating capital. Furthermore, the lack of any direct incentives around ESG factors such as safety, water intensity, diversity etc is a mistake as allocating sufficient human and monetary capital to improve, will over time prove value accretive to all shareholders. These ESG factors should be rooted in quantifiable metrics rather than policies.

At heart – we believe management incentives should emphasize specific strategic objectives – the outcome of which will leave the bottom line and stock price to take care of itself.

We look forward to hearing your thoughts on these matters.

Yours sincerely,

Hugh Selby-Smith



Level 14, 330 Collins Street  
Melbourne, Victoria,  
Australia 3000  
[www.talariacapital.com.au](http://www.talariacapital.com.au)