

July 28, 2017

Jay Hoag  
Lead Independent Director  
c/o David Hyman, Secretary  
Netflix, Inc.  
100 Winchester Circle  
Los Gatos, CA 95032

Dear Mr. Hoag:

I am writing on behalf of the Council of Institutional Investors (CII) to inquire about how the board plans to respond to four shareowner resolutions that won majority support at your 2017 annual meeting.

The Council of Institutional Investors (CII) is a nonprofit, nonpartisan association of public, corporate and union employee benefit funds, and other employee benefit plans, foundations and endowments with combined assets under management exceeding \$3 trillion. Our member funds include major long-term shareowners with a duty to protect the retirement savings of millions of workers and their families.<sup>1</sup>

Shareholder proposals on these topics have been receiving majority support at Netflix for years. The Netflix board has ignored these shareholder votes and views of investors with long-term investment horizons, and we think it is ill-advised to do so.

The board's disconnect with many shareholders was reflected in the 51% vote for your own re-election this year (you were supported by just 38% of shares outstanding). While Netflix board members are accustomed to low levels of support, you should realize this is highly unusual, particularly at a company experiencing success. In 2016, just 45 nominees received less than 50% support in uncontested elections at Russell 3000 companies, representing one-quarter of one percent of the more than 17,000 board nominees up for election. Median support for all uncontested director elections was 98.4% of shares voted.

The board's breach with many long-term holders undermines board and management credibility with investors that may be needed if and when the company stumbles or goes through another necessary period of short-term pain to further re-position itself amidst future changed opportunities and market conditions. Long-term shareholders do understand and appreciate the company's resilience and success, as they have with Amazon and many other public companies that do not adopt such a defensive posture. But they also want reasonable board accountability to shareholders.

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<sup>1</sup> For more information about the Council of Institutional Investors ("CII"), including its members, please visit <http://www.cii.org/members>

A binding bylaw amendment to provide for a majority vote standard in election of directors was supported by 65% of shares voted, notwithstanding reluctance of some shareholders to impose specific bylaw language on boards and the board's assertion that the specific proposal had some drafting issues (nearly all shareholder proposals on director election standards and other matters are non-binding, as was a 2016 proposal to Netflix that was ignored by the board despite garnering support from 87% of shares voted). The 2017 proposal fell short of the number needed to amend the bylaws without board action, but it was another strong message for the board to use a majority vote standard in electing directors, as about 90% of S&P 500 boards have voluntarily decided to do. It strikes most public shareholders as entirely reasonable that if a director in an uncontested election is effectively opposed by a majority of shares voted, that director should not continue to serve on the board. I am enclosing a copy of CII FAQs on standards used in electing directors, and we would be eager to discuss this with you.

Three other proposals also received a majority of votes cast. One requests annual election of all directors, and was supported by 63% of shares voted. A second proposal supported by 63% of shares voted requests elimination of supermajority vote requirements, such as that required for the shareholder bylaw proposal mentioned above. Finally, a proposal to create a proxy access right was supported by 54% of shares voted. I am enclosing a copy of a CII publication outlining CII's views on certain proxy access provisions.

Please share this letter with the full board. We would be appreciative of a response, which we would make available to CII members. And we would very much like to discuss these matters. Please contact me at the number below (or at [ken@cii.org](mailto:ken@cii.org)), or CII Director of Research Glenn Davis at 202.261.7097 ([glenn@cii.org](mailto:glenn@cii.org)) with any questions and if you are amenable to a discussion.

Sincerely,

Ken Bertsch  
Executive Director