Council of Institutional Investors®
The voice of corporate governance

September 20, 2019

Director Angela Ahrendts
Director Ken Chenault
Director Ann Mather
c/o General Counsel Robert Chestnut

Airbnb, Inc.
888 Brannan Street
San Francisco, CA 94103

Re: Airbnb equity structure as a public company

Dear Ms. Ahrendts, Mr. Chenault and Ms. Mather:

I am writing on behalf of the Council of Institutional Investors (CII) to request that Airbnb, in connection with an initial public offering, adopt either a "one-share, one-vote" stock structure or a sunset provision ensuring equal voting rights for all classes of common stock by no later than the seventh anniversary of the IPO.[1]

CII is a nonprofit, nonpartisan association of U.S. asset owners, primarily pension funds, state and local entities charged with investing public assets and endowments and foundations, with combined assets of $4 trillion. Our associate members include non-U.S. asset owners with more than $4 trillion in assets and a range of asset managers with more than $35 trillion in assets under management.[2] CII members share a commitment to healthy public capital markets and strong corporate governance.

U.S. public company board members owe obligations equally to shareholders generally. However, many public company shareholders are skeptical on whether managers holding super-voting rights are held accountable by company boards, even in the face of extended poor performance or changed company circumstances that suggest different management and/or strategy. A decision to disempower public shareholders would add to that skepticism.

The large majority of U.S. companies go public with one-share, one-vote structures. Of those that go public with differential voting rights, a growing number put time-based sunsets on those structures.[3] This trend is generally supported by the findings a recent study of dual-class

[1]CII is committed to the principle of one-share, one-vote in public equity markets. Where a board decides to create differential voting rights, we urge a time-based sunset that would convert the structure to one-share, one-vote within seven years of IPO, absent approval by each class of shareholders, voting separately, to extend such a structure.
[2] For more information about the Council of Institutional Investors (Council or CII) and our members, please visit the Council's website at http://www.cii.org/about_us.
[3] A CII-compiled list of companies with time-based sunset provisions on multi-class structures is available at https://www.cii.org/files/8-15-19%20Time-based%20Sunsets.docx.pdf.

company performance, which found that even at innovative companies where unequal voting structures correlate to a value premium at the time of the IPO, that premium dissipates within six to nine years before turning negative.[4] Another study found that dual-class structures correlate with more innovation and value creation in the period shortly after an IPO, but within six to 10 years, the costs of the unequal voting structures outweigh the benefits. The study's authors conclude, "Our findings lend credence to the recent call from shareholder advocacy groups that if dual class structures should be allowed at all, they should face rigorous sunset provisions and be eliminated in a certain period post-IPO."[5]

Adopting equal voting rights or a sunset provision of seven or fewer years would result in the permanent exclusion of your names from CII's "Dual Class Enablers" list, which CII members and investors more broadly can use to hold directors to account at all public company boards on which they serve.[6] We expect that public investors will increasingly use this resource and others like it to vote against directors who made pivotal pre-IPO decisions to limit the voice of public shareholders for the long term.

Public company investors have demonstrated time and again that they will support innovation and long-term capital investment at one-share, one-vote companies, as has been the case for decades at examples like Apple, Amazon and Microsoft. While establishing accountability to owners on a proportional basis does not always maximize comfort and compensation for management, we believe accountability is important for performance longer term, especially through bumps in the road that every company will experience.

Please share this letter with the full board. We would be pleased to have the opportunity to discuss these matters with you. I can be reached at ken@cii.org or 202-261-7098.

Sincerely,

Kenneth A. Bertsch
Executive Director

Cc Nathan Blecharczyk
Brian Chesky
Joe Gebbia

[4] Martijn Cremers, et al., *The Life-Cycle of Dual Class Firms*, November 2017, "We find that the initial dual class valuation premium is temporary and disappears within 6 to 9 years after the IPO…The declining valuations of dual- versus single-class firms suggests that potentially increased agency problems at mature dual class firms may be mitigated by a mandatory sunset provision for dual class structures, as advocated by Bebchuk and Kastiel;" *See* Lucian Bebchuk and Kobi Kastiel, *The Untenable Case for Perpetual Dual-Class Stock*, April 2017.
[5] Lindsay Baran, et al., *Dual Class Share Structure and Innovation*, May 2018.
For more research, see CII's Summaries of Key Academic Literature on Multi-Class Structures and Firm Value.
[6] See https://www.cii.org/dualclassenablers.