Council of Institutional Investors®
The voice of corporate governance

September 11, 2018

Edward M. Siegel, Independent Director
Armand F. Lauzon, Jr., Independent Director
Curtis A. Cusinato, Independent Director Nominee
Brian R. Hedges, Independent Director Nominee
c/o Michael P. McNamara, EVP and General Counsel
Zekelman Industries, Inc.
227 West Monroe St., Suite 2600
Chicago, IL 60606

Re: Zekelman Industries' Multi-Class Structure

Dear Messrs. Siegel, Lauzon, Cusinato and Hedges:

I am writing on behalf of the Council of Institutional Investors (CII) to express concern that Zekelman Industries, Inc. is going public with a multi-class structure with unequal voting rights that severely limits accountability to public shareholders over the long-term and lacks a meaningful sunset provision. As structured, class B multiple voting shares owned by members of the controlling family—CEO and Chairman Barry M. Zekelman and directors Alan S. and Clayton W. Zekelman—will carry super-voting rights entitling them to 10 votes per share.

CII is a nonpartisan, nonprofit association of public, corporate, and union employee benefit funds, other employee benefit plans, foundations and endowments with combined assets under management exceeding $3.5 trillion. Our member funds include major long-term shareholders with a duty to protect the retirement savings of millions of workers and their families. Our associate members include a range of asset managers with more than $25 trillion in assets under management, most also with long-term investment horizons.[1] CII members share a commitment to healthy public capital markets and strong corporate governance.

The principle of one share, one vote is a foundation of good corporate governance and equitable treatment of investors. CII believes public companies should provide all shareholders with voting rights proportional to their holdings. In Zekelman Industries' IPO, public investors will provide capital amounting to 22% of the company's equity. But as a result of the multi-class structure, they will control a mere 3% of the vote in return. The Zekelman family will wield 97% of the company's voting power despite holding 78% of its economic rights. And as the company grows in the future, it is likely that the Zekelman family will come to hold a much smaller proportion of the equity, even far less than 50%, while maintaining control of the company. No controlling family is infallible, and this misalignment of ownership and controlling interests undermines the health and fairness of capital markets.

[1] 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.

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We strongly urge the Zekelman Industries board to reconsider using a structure with unequal voting rights as a public company, or, failing that, to incorporate sunset provisions that revert to one share, one vote within seven years.[2]

When CII was formed in 1985, the first policy adopted was the principle of one share, one vote.[3] The importance of this approach has been underlined repeatedly by market participants since then, including recent moves by index providers to discourage multi-class structures. As structured, Zekelman Industries will not be included in the S&P 1500 Composite or its component indices, including the S&P 500. The Russell 3000 and other FTSE Russell indices also exclude new listings that leave less than 5% of voting power in the hands of "unrestricted" investors. MSCI intends to substantially reduce the weight of multi-class listings that provide public investors with such little voting power in its indices as well.

As long-term investors, we believe a decision by Zekelman Industries to go public with the multi-class structure will undermine confidence of public shareholders in the company. Independent boards accountable to owners should be empowered to actively oversee management and make course corrections when appropriate. Disenfranchised public shareholders have no ability to influence management or the board when the company encounters performance challenges, as most do at some point, particularly where management is accountable only to itself and the board that it appoints. This rings especially true at Zekelman Industries, where the controlling shareholder serves in a combined CEO and chairman role, and the controlling family has special director nominating rights and may even transfer its super-voting shares to lineal descendants in perpetuity.

We acknowledge that in recent years, some companies with dynamic leadership and innovative products have attracted capital on public markets despite using multi-class structures. However, the performance record of these companies is decidedly mixed, with some studies finding a substantially lower total shareholder return compared to their one share, one vote counterparts after 10 years.[4] Another study found that even at innovative companies where multi-class structures correlate to a value premium at the time of the IPO, that premium dissipates within six to nine years before turning negative.[5] The evidence against multi-class structures enhancing company value beyond the short-term is a factor in our support for meaningful, time-based sunsets.

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[2] CII's member-approved Investor Expectations for Newly Public Companies: "Upon going public, a company should have a 'one share, one vote' structure…CII expects newly public companies without such provisions to commit to their adoption over a reasonably limited period through sunset mechanisms."

[3] CII Corporate Governance Policies (Section 3.3) provides that, "Each share of common stock should have one vote. Corporations should not have classes of common stock with disparate voting rights."

[4] Average annual TSR at multi-class companies over 10 years was 5.7 percent, compared with 8.5 percent at non-controlled companies and 7.4 percent at controlled companies with single-class structures. The 2016 study concludes that "Controlled companies featuring multiple classes of stock generally underperformed on a broad swath of financial metrics over the long term [and] are perceived as having more financial risk" than non-controlled firms. IRRC Institute, *Controlled Companies in the Standard & Poor's 1500: A Ten Year Performance and Risk Review*, October 2012; and *Controlled Companies in the Standard & Poor's 1500: A Follow-Up Report of Performance & Risk*, March 2016.

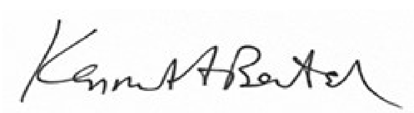
[5] Martijn Cremers, et al., *The Life-Cycle of Dual Class Firms*, November 2017, "We find that the initial dual class valuation premium is temporary and disappears within 6 to 9 years after the IPO…The declining valuations of dual- versus single-class firms suggests that potentially increased agency 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. For more research, see CII's Summaries of Key Academic Literature on Multi-Class Structures and Firm Value.

Recognizable companies like Yelp, Fitbit, Kayak and Mulesoft have held multi-class IPOs with time-based sunsets. Public shareholders at these companies knew that they would have a say in company matters equal to their ownership interests within reasonable periods of time. Just this year, EVO Payments, Bloom Energy and Smartsheet held multi-class IPOs with three, five and seven year sunsets respectively. After going public with time-based sunsets in 2010, 2011 and 2012, MaxLinear, Groupon and Yelp successfully collapsed their multi-class structures and reverted to one share, one vote within the last two years. More companies went public with time-based sunsets in 2017 than in any other year, and 2018 is on pace to set a new record.[6] As SEC Commissioner Robert Jackson said in a February 2018 speech, "If you run a public company in America, you're supposed to be held accountable for your work—maybe not today, maybe not tomorrow, but someday."[7]

Public company investors have demonstrated time and again that they will support innovation and investment for the long term, as has been the case for decades at Amazon and many other companies. While establishing accountability to new owners 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. We hope that within a reasonable period of time, Zekelman Industries will enfranchise public investors with voting rights that match their ownership of the company.

Thank you for considering CII's views. If you have any questions or would like to discuss this further, please contact me at ken@cii.org or (202) 822-0800.

Sincerely,



Kenneth A. Bertsch
Executive Director

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[6] CII List of Companies with Time-Based Sunset Approaches to Dual-Class Stock.
[7] Robert Jackson, *Perpetual Dual-Class Stock: The Case Against Corporate Royalty*, February 15, 2018.