Council of Institutional Investors®
The voice of corporate governance

February 27, 2018

Chairman of the Nominating and Corporate Governance Committee J. William Gurley
Director Steven Anderson
Director Marka Hansen
Director Sharon McCollam
c/o Scott Darling, Chief Legal Officer
Stitch Fix, Inc.
1 Montgomery St., Suite 1500
San Francisco, CA 94104

Dear Mr. Gurley and Fellow Non-Employee Board Members:

I am writing on behalf of the Council of Institutional Investors (CII), a nonpartisan, nonprofit association of employee benefit plans, state and local agencies that invest public fund assets, foundations and endowments with combined assets exceeding $3 trillion. Our member funds include major long-term shareholders with a duty to protect the retirement savings of millions of workers and their families, and with very long investment horizons. Our associate members include a range of asset managers with more than $20 trillion in assets under management, many or most also with long-term investment horizons.[1]

CII members share a commitment to healthy public capital markets and strong corporate governance. As our members have long-term investment horizons, we are concerned about the decision of Stitch Fix, Inc. to go public with a dual class stock structure with differential voting rights, disempowering public shareholders who may come to own a significant portion of shares as the company expands. We note with interest that the super-voting shares will convert automatically into the low-vote class after ten years.[2] We believe the board should insist on a sunset that eliminates super-voting shares within five years or less, subject to extension by holders of the class of shares with low voting rights, voting on a one-share, one-vote basis, to extend such provision for a term of no more than five years.

The principle of one-share, one-vote is a foundation and core value of good corporate governance and equitable treatment of all shareholders. When CII was formed in 1985, the very first policy adopted was the principle of one-share, one-vote.[3] The importance of this approach has been underlined repeatedly by investors since then, including the January 2017 launch of the "Framework for Promoting Long-Term Value Creation for U.S. Companies."[4] The Framework, backed by 48 leading asset managers and owners that are members of the Investor Stewardship Group, states that "Shareholders should be entitled to voting rights in proportion to their economic interest," and that "companies should adopt a one-share, one-vote standard and avoid adopting share structures that

[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.
[2] Stitch Fix, Inc. amended S-1 filed October 19, 2017 at https://www.sec.gov/Archives/edgar/data/1576942/000119312517313629/d400510ds1.htm.
[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. Authorized, unissued preferred shares that have voting rights to be set by the board should not be issued without shareowner approval."
[4] See https://www.isgframework.org/.

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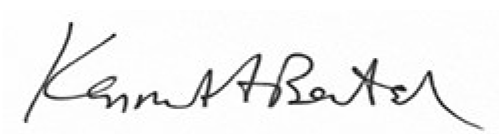
create unequal voting rights among their shareholders." The leaders of 13 major companies, who signed a separate July 2016 Commonsense Corporate Governance Principles, also said dual class voting structures are not best practice.[5]

We acknowledge that in recent years, some young companies with dynamic leadership and promising products have attracted capital on public markets despite having dual class structures. However, the performance record of dual class companies is decidedly mixed in the long-run and even in the medium term, notwithstanding selection bias affecting which companies pursue the dual class experiment.[6] The disenfranchisement of public shareholders is problematic when the company encounters performance challenges, as most companies do at one point or another.

We are encouraged that index providers are becoming more sensitive to concerns of long-term holders on dual class structures. As Stitch Fix notes in its prospectus, the company as structured would not be eligible under current rules for the S&P 1500 Composite or its component indexes, including the S&P 500. The Russell 3000 and other FTSE Russell indexes also exclude new listings that leave less than 5% of voting power in the hands of "unrestricted" investors.

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 many years at Amazon, Tesla and many other companies. There are also several examples of public companies that have successfully reclassified their dual class structure into a single class. While establishing accountability to new owners does not always maximize comfort and compensation for management, we believe accountability to the public shareholders providing the vast majority of the company's capital is important for performance longer-term.

Sincerely,



Kenneth A. Bertsch
Executive Director

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[5] See http://www.governanceprinciples.org/.

[6] Studies on 10-year performance in total shareholder return published in 2012 and 2016 by the IRRC Institute found that multi-class companies significantly underperformed by that metric. (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.) In the more recent study, 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. Other indicators fail to show outperformance by multi-class companies, despite the premise that such structures should protect the flexibility of dynamic leadership to innovate, without concerns on short-term share price impacts, and create value longer-term. 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. Multi-class companies in the S&P 500 pay CEOs substantially more than companies with single-stock structures (especially as compared with single-class controlled companies), which accrues to CEOs but without comparable payoff for shareholders.