Council of Institutional Investors®
The voice of corporate governance

June 20, 2017

Robert P. Goodman
Director and Lead Independent Director Designee
Blue Apron Holdings, Inc.
5 Crosby Street
New York, NY 10013

Matthew B. Salzberg
President, CEO and Chairman Designee
Blue Apron Holdings, Inc.
5 Crosby Street
New York, NY 10013

Benjamin C. Singer
General Counsel and Corporate Secretary
Blue Apron Holdings, Inc.
5 Crosby Street
New York, NY 10013

Re: Multi-Class Structure

Dear Messrs. Goodman, Salzberg and Singer:

I am writing on behalf of the Council of Institutional Investors (CII), a nonpartisan, nonprofit association of 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, 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. We are concerned that Blue Apron Holdings, Inc. is going public with a triple-class structure that severely limits accountability to public shareholders over the long-term, and without a reasonable sunset provision (the share structure apparently will collapse to one-share, one-vote only nine months after the death or disability of the CEO). Blue Apron proposes to issue low-voting shares on going public, but with authority to issue shares with no voting rights whatsoever.

[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.

CII believes public companies should provide all shareholders with voting rights proportional to their holdings; newly public companies that do not should sunset the unequal structure over a reasonable period of time. We strongly urge you to reconsider going public with a multi-class structure, or to incorporate sunset provisions that revert to one-share, one-vote within five years. And we urge that you make no use of Class C non-voting shares.

The principle of one-share, one-vote is a foundation and core value of good corporate governance and equitable treatment of investors. The board and management of the company should be accountable to the owners, as can be the case at single-class public companies. Accountability of management to owners also typically is facilitated at companies owned by private equity and venture capital interests while those interests maintain their ownership.

When CII was formed in 1985, the very first policy adopted was the principle of one-share, one-vote.[2] 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.[3] The Framework, developed by the Investor Stewardship Group and backed by 42 leading asset owners and managers, 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 create unequal voting rights among their shareholders." The leaders of 13 major companies who signed the separate July 2016 Commonsense Corporate Governance Principles also rejected dual-class voting structures.[4]

As long-term investors, we believe a decision by Blue Apron to go public with the triple-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.

We recognize that the holders of super-voting shares will in fact own a significant majority of shares immediately post-IPO, minimizing our concerns in the short-run. However, our interest is in the longer-term health of capital markets. Blue Apron's share structure amounts to a "ticking time bomb" for the gross misalignment of ownership and control, with Class B holders operating the clock. Although Class B holders initially will hold 84 percent of outstanding equity, the share structure clearly contemplates growth in the equity capital base over time such that the founders and other holders of Class B shares eventually will own a minority of shares, potentially less than 10% and even a much lower portion to the extent that some Class B holders

[2] 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.
[3] See https://www.isgframework.org/.
[4] See http://www.governanceprinciples.org/.

exit and/or if controlling holders approve authority for shares beyond authorization at IPO.

Disenfranchised public shareholders have no ability to influence management or the board when the company encounters performance challenges, as most companies do at one point or another, and especially where management essentially is accountable only to itself and the board that it appoints. In this context, we are particularly concerned about the non-voting share class, the lack of a reasonable sunset provision, and the prospect that management likely will control a majority of voting power over time even as its proportional ownership of common equity shrinks.

We would note that some public company investors and investor associations including CII are advocating that index providers exclude non-voting share classes entirely from indexes. Many CII members use index strategies and would become share owners at the point when Blue Apron is included in a broad-based index. We view voting rights as integral to the definition of "common equity," and therefore believe that non-voting shares should be excluded from equity indexes.

We acknowledge that in recent years, some young companies with dynamic leadership and promising products, like Blue Apron, 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 adopt multi-class structures.

Some companies lacking effective accountability to owners do soar for a time, but others crash and burn, and still others pursue mistaken strategies for far too long. Companies with a large disconnect between ownership and control, such as Groupon and Zynga, have stumbled relatively quickly and without effective correction mechanisms, while those like Bombardier and Viacom have encountered long-term challenges where insiders are entrenched.

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.[5] 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.

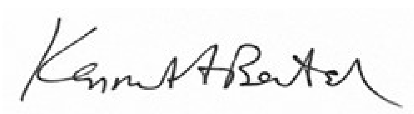
[5] IRRC Institute, *Controlled Companies in the Standard & Poor's 1500: A Ten Year Performance and Risk Review*, October 2012; and *Controlled Companies in the Standard & Poor's 1500: A Follow-Up Report of Performance & Risk*, March 2016.

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 benefits CEOs without comparable payoff for shareholders.

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 and so 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, including through bumps in the road that every company will experience.

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