February 3, 2017

Evan Thomas Spiegel
CEO
Snap Inc.
63 Market Street
Venice, CA 90291

Robert Murphy
Chief Technology Officer and Director
Snap Inc.
63 Market Street
Venice, CA 90291

Michael Lynton
Chairman-Designate, Snap Inc.
c/o Sony Corporation of America
25 Madison Ave.
New York, NY 10022

Re: Proposed Multi-Class Structure for post-IPO Snap Inc.

Dear Messrs. Spiegel, Murphy and Lynton:

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. Our associate members include a range of asset managers with more than $20 trillion in assets under management.[1] This letter has been co-signed by 18 CII members and other institutional investors.

The signers of this letter share a commitment to healthy public capital markets and strong corporate governance. We are concerned that Snap Inc. plans to go public with a structure denying outside shareholders any voice in the company[2], and request to meet with you and your advisers to discuss our concerns. We strongly urge Snap to reconsider the proposed structure, and instead go to market with a single-class voting structure, which overall is associated with stronger long-term performance, and mechanisms for accountability to owners.

[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] See Snap Inc. Form S-1, filed with the SEC Feb. 2, 2017 at https://www.sec.gov/Archives/edgar/data/1564408/000119312517029199/d270216ds1.htm

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 to owners also typically is facilitated at companies owned by private equity interests, although private companies sometimes also give managing founders supervoting shares, not always to good result, as at Theranos.

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 16 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 July 2016 Commonsense Corporate Governance Principles also rejected dual class voting structures.[5]

We recognize that Messrs. Spiegel and Murphy are substantial owners of Snap at this time, together holding about 44 percent of total outstanding shares as of December 31, 2016, with about 89 percent of voting power as of that date, which is pre-IPO. However, the structure you propose will permit you and other insiders to continue to control more than 90 percent of voting power, with public shareholders of Class A common shares having zero rights in governance of the company, even as you dilute your ownership interest over time.

As long-term investors, we believe a decision by Snap to go public with the reported dual class structure will undermine the quality and confidence of public shareholders in the market. Independent boards accountable to owners should be empowered to actively oversee management and make course corrections when appropriate.

We acknowledge that in recent years, some young companies with dynamic leadership and promising products, like Snap, have attracted capital on public markets despite having dual class structures. Snap seems likely to be successful in raising capital on public markets even if you take this model to an extreme, as reported, and afford public shareholders no voting rights. 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. (Managers of companies with less stellar prospects tend to avoid dual class shares due to pricing discounts attached to such structures.)

---

[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/.

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

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 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.[6] 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. IRRC Institute head Jon Lukomnik suggests that multi-class structures are "built for comfort" rather than performance.

We believe Snap will enter public markets with substantial credibility with investors, who 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 for management, we believe accountability is important for performance longer-term, including through bumps in the road that every company will experience.

We urge you to adopt a single-class structure in connection with your upcoming IPO, and we request a meeting with you and your advisers to discuss in more detail corporate governance at a publicly traded Snap.

Sincerely,

Kenneth A. Bertsch
Executive Director
Council of Institutional Investors

---

[6] 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.

Paul Lee
Head of Corporate Governance
Aberdeen Asset Management

Anne Simpson
Investment Director
California Public Employees Retirement System

Anne Sheehan
Director of Corporate Governance
California State Teachers' Retirement System

Jerry Allen
Executive Director
City of Milwaukee Employees' Retirement System

Gregory W. Smith
Executive Director/CEO
Colorado Public Employees' Retirement System

Tejal K. Patel
Corporate Governance Director
CtW Investment Group

Dan M. Slack
Executive Director
Fire & Police Pension Association of Colorado

Michael McCauley
Senior Officer, Investment Programs & Governance
Florida State Board of Administration

Carin Zalenko
Director, Capital Strategies Department
International Brotherhood of Teamsters

Andrew Shapiro
President & Portfolio Manager
Lawndale Capital Management, LLC

Clare Payn
Head of Corporate Governance North America
Legal & General Investment Management

Scott Zdrazil
Senior Investment Officer – Corporate Governance
Los Angeles County Employees Retirement Association

Tobias Read
Oregon State Treasurer
Oregon State Treasury

Scott M. Stringer
New York City Comptroller
On behalf of the
New York City Pension Funds

Margriet Stavast-Groothuis
Advisor, Responsible Investment
PGGM

Gianna McCarthy
Director- Corporate Governance
Office of the New York State Comptroller

Euan A Stirling
Head of Stewardship and ESG Investment
Standard Life Investments

Theresa Whitmarsh
Executive Director
Washington State Investment Board

Cc: Chris Handman, General Counsel, Snap Inc.
Michael Grimes, Managing Director, Morgan Stanley
Eric C. Jensen, Partner, Cooley