



**WHEREAS:** Climate change poses a growing, systemic risk to the economy. If global climate goals are not met, workers face the likelihood of significant negative impacts to their retirement portfolios. Swiss Re estimates a 4% decline in global GDP by 2050 if global temperature increases are kept below 2 degrees Celsius, but up to an 18% decline, equating to \$23 trillion in reduced economic output, without effective mitigation.<sup>1</sup>

Netflix has taken actions to address climate change by committing to reduce internal emissions by 45% below 2019 levels by 2030.<sup>2</sup> Yet, even while it transitions its business to reduce its own greenhouse gas (GHG) emissions, our Company's 401(k) retirement plan ("Plan") invests significantly in companies that contribute to climate change, jeopardizing workers' life savings.

Employee retirement funds are automatically invested in the Plan's default investment option unless employees proactively choose different investments. Thus, the majority of the Netflix Plan's \$1.3 billion in assets are invested in the default option.<sup>3</sup>

Netflix has selected Vanguard Target Retirement funds as the Plan's default offering, which invest significantly in fossil fuel companies and companies contributing to deforestation.<sup>4</sup> By investing employees' retirement savings in companies with outsized contributions to climate change, Netflix is generating climate risk, including transition risk and long-term systemic risk, to workers' portfolios.

Netflix's default 401(k) choice risks compromising its obligation to select retirement plan investment options in the best interests of its plan participants, including those with retirement dates more than a decade out.

In the increasingly competitive employee recruitment and retention landscape, failing to minimize material climate risk in its default 401(k) plan option may make it more difficult for Netflix to attract and retain top talent. Employee polling indicates that firms'

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<sup>1</sup> <https://www.nytimes.com/2021/04/22/climate/climate-change-economy.html>

<sup>2</sup> <https://about.netflix.com/en/sustainability>

<sup>3</sup> <https://iyv-charts.s3.us-west-2.amazonaws.com/retirement-plans/netflix/netflix-401k-plan-form-5500-filing-and-attachment-2021.pdf>

<sup>4</sup> <https://investyourvalues.org/retirement-plans/netflix>



environmental records are an important consideration in choosing a job.<sup>5</sup> Employee polling also reveals increasing demand for climate-safe retirement plan options.<sup>6</sup>

Given the threat that climate change poses to employee's life savings, our Company can help ensure employee loyalty and satisfaction and demonstrate that it is actively safeguarding all employee retirement savings, no matter when they are set to retire, by minimizing climate risk in its Plan offerings, especially in its default option. The federal government recently clarified that fiduciaries may appropriately consider climate risk in the selection of plan offerings, including in the default option.<sup>7</sup>

**BE IT RESOLVED:** Shareholders request that the Board publish a report, at reasonable expense and omitting confidential information, disclosing how the Company is protecting Plan beneficiaries with a longer investment time horizon from climate risk in the company's default retirement options.

**SUPPORTING STATEMENT:** The report should include, at Board discretion, analysis of:

- The degree to which carbon-intensive investments in the default investment option contribute to greater beneficiary risk and reduced Plan performance over time;
- Whether carbon-intensive investments in the default investment option put younger beneficiaries' savings at greater risk than participants closer to retirement.

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<sup>5</sup> <https://www.shrm.org/resourcesandtools/hr-topics/talent-acquisition/pages/climate-change-branding-can-lift-recruitment-and-retention.aspx>

<sup>6</sup> <https://www.cnn.com/2019/04/09/workers-want-elusive-socially-responsible-investments-in-401k-survey.html>

<sup>7</sup> <https://www.federalregister.gov/documents/2022/12/01/2022-25783/prudence-and-loyalty-in-selecting-plan-investments-and-exercising-shareholder-rights>