

Netflix



After engaging Netflix on environmental and social issues since 2018, we have seen improvement in performance and ambition from the company.

Background

Arguably, two of the most pertinent topics for all companies to address within their ESG practices are climate change and diversity, equity and inclusion. As the climate changes, companies face operational, regulatory and reputational risks along with changing consumer demand, and companies that do not value diversity and promote inclusion create regulatory, talent and reputational risks.

When managed correctly, these topics both offer opportunities such as the creation of climate-friendly products and innovation from diverse talent.

As of 2018, Netflix lacked disclosure and targets for greenhouse gas emissions reduction and diverse representation, and we were concerned that this prominent entertainment services company was not effectively managing these risks.

Our engagement

We first engaged Netflix on environmental and social topics in 2018 through a collaborative investor letter that encouraged the adoption of science-based emissions targets. Following a withdrawn 2019 shareholder proposal asking for material ESG disclosure, we shared detailed expectations for the company on Paris Agreement-aligned climate targets and greater disclosure on and the setting of targets for a diverse and inclusive workplace.

During a meeting with the assistant corporate secretary in 2020, we welcomed the company's first sustainability report but challenged the company to be more ambitious by setting a climate target and providing evidence of a diverse and inclusive culture.

¹ <https://about.netflix.com/en/sustainability>

² <https://about.netflix.com/en/inclusion>

³ ESG Information | Netflix

Engagement objectives:



Social:

Diversity and inclusion



Environmental:

Carbon reduction targets

Sustainable Development Goals:



We continued our discussions with the company in 2021 where it expressed a strong commitment to transparency and diversity and inclusion in its workforce and content, however it did not appear proactive in addressing our request to set diverse representation goals.

Changes at the company

We saw the company's first ESG report, published in early 2020, as an important first step towards better management of its environmental and social risks since the report disclosed energy use and some workforce diversity information. The company was receptive to our feedback on how to improve disclosure and action and has continued to publish an annual ESG report³.

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We appreciated the company's first inclusion report, published in early 2021⁴, which disclosed workforce representation data, showed improving global gender and US racial/ethnicity representation trends, and described the company's efforts to create a diverse and inclusive culture.

In the report, Netflix is clear that it has more work to do and wants to focus on Hispanic or Latinx and Indigenous Peoples, representation outside of the US, and measuring "inclusion health" - or the employee experience. The report set an intention to increase representation and set out a plan to increase it but did not set explicit representation targets.

On climate, in March 2021, the company announced a target to achieve net zero greenhouse gas emissions by the end of 2022, and every year thereafter. While the company aligned its Scope 1 and 2 target to the Paris Agreement, at the time of its initial announcement, the target was not validated by the Science



On climate, in March 2021, the company announced a target to achieve net zero greenhouse gas emissions by the end of 2022, and every year thereafter.

Based Targets initiative (SBTi), and we encouraged this validation. In a follow-up announcement in September, the company revealed that it had validated its targets with SBTi.

Scope 3 emissions are included in the net zero commitment, and, with its SBTi verification, the company also committed that 70% of its suppliers as measured by emissions covering purchased goods and services, capital goods, upstream transportation and distribution, and business travel, will have science-based targets by 2025.

In 2022, the company upgraded its Scope 3 target to an intensity-based emissions reduction target.

In 2022, the company upgraded its Scope 3 target to an intensity-based emissions reduction target. The new target, which has been validated by the SBTi, is to reduce Scope 3 emissions 55% per million USD of value added by 2030.

⁴ [Netflix Inclusion Report 2021 | Netflix](#)

⁵ [Inclusion in Netflix Original U.S. - Smith, Pieper, Wheeler & Neff \(2023\)](#)

⁶ [Netflix employees are staging a walkout amid controversy | CNN](#)

⁷ [Cuties controversy sparks boycott | The Guardian](#)

Further, in 2021 and 2023, the company partnered with the USC Annenberg Inclusion Initiative to publish two academic papers⁵ evidencing the increase in diverse representation amongst directors, producers, writers and creators in US-commissioned scripted films and series and identifying areas for improvement.




Next steps

In addition to demonstrating a good understanding of its climate and diversity and inclusion risks, in 2022 the company implemented several long-requested governance reforms. Netflix has now eliminated the supermajority standard and provided shareholders with the right to call a special meeting. It is also eliminating the classified board and changing the voting standard for its directors in uncontested elections.

Given the company's responsiveness to investor concerns on ESG performance, we will focus future engagement on demonstrating ethical decision-making and ensuring an inclusive culture. Previous incidents of content and marketing causing concern to employees⁶ and customers⁷ indicate the opportunity for it to codify its ethical standards or principles for controversial content decision-making overseen by the board, especially as the company prioritises varied content offerings.

Finally, we seek for the company-wide diversity efforts to be reflected in the composition of the board and named executive officer team.

 This case study has been fact-checked by Netflix to ensure a fair representation of EOS work carried out and changes made at the company.



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Engagement
EOS

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