



## Action Report

# Diversity, Decent Work & Executive Compensation

Amazon.com

April 24, 2019,

Ticker	Exchange	Meeting Date	Record Date	Annual Meeting Location
AMZN	NYSE	5-22-19	3-28-19	Seattle, Washington

### Agenda

Item	Proposal
1	MGT: Elect directors
2	MGT: Ratify selection of auditors
3	MGT: Advisory vote on executive compensation
4	SH: Report on food waste management
5	SH: Allow shareholders to call special meetings
6	SH: Ban sales of facial recognition software
7	SH: Report on facial recognition software
8	SH: Report on sales of offensive products
9	SH: Adopt independent chair
10	<b>SH: Review/report on sexual harassment policy</b>
11	SH: Report on climate-related transition plan
12	<b>SH: Report on board nominee ideological diversity</b>
13	<b>SH: Report on gender/minority pay disparity</b>
14	<b>SH: Report on executive pay links to diversity metrics</b>
15	SH: Use simple majority vote for all shareholder resolutions

**Si2 Briefings** [Social \(Decent Work\)](#), [Governance \(Board Diversity\)](#), [Governance \(Sustainability\)](#)

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**Links** [2019 Proxy Statement](#); [2018 Form 10-K](#)

**Note** For items 10 and 12, some investors may wish to consider the aims of the proponents, who represent conservative groups. They use similar language as advocates for more racial, ethnical and gender diversity, but seem motivated by political disagreements with company executives. In the case of item 12, proponents have even expressed opposition to the traditional concept of diversity on boards.

### Item 10 – Review/report on sexual harassment policy

**Resolved Clause** RESOLVED, Shareholders request management review its policies related to sexual harassment to assess whether the Company needs to adopt and implement additional policies and to report its findings, omitting proprietary information and prepared at a reasonable expense by December 31, 2019.

<b>Lead Proponent</b>	The National Legal and Policy Center
<b>Vote History</b>	None.
<b>Summary</b>	The proponent, a conservative watchdog, accuses the company of hypocrisy in that one of its executives resigned due to a sexual harassment scandal, though the company, according to the proponent, champions progressive causes. Amazon says its anti-harassment policies are robust, and describes those policies, including a mechanism for formal board oversight of sexual harassment claims at the company. Shareholders will have to decide whether more disclosure of sexual harassment-related risks is in the best interest of the company.

#### Item 12 – Report on board nominee ideological diversity

<b>Resolved Clause</b>	Resolved, that the shareholders of the Amazon.com, Inc. (the "Company") request the Board adopt a policy to disclose to shareholders the following: <ol style="list-style-type: none"> <li>1. A description of the specific minimum qualifications that the Board's nominating committee believes must be met by a nominee to be on the board of directors; and</li> <li>2. Each nominee's skills, ideological perspectives, and experience presented in a chart or matrix form.</li> </ol> <p>The disclosure shall be presented to the shareholders through the annual proxy statement and the Company's website within six (6) months of the date of the annual meeting and updated on an annual basis.</p>
<b>Lead Proponent</b>	National Center for Public Policy Research (NCPPr) <i>(The proponent is not named in the proxy statement but the text of the proposal is the same as others from NCPPr.)</i>
<b>Vote History</b>	None at Amazon.com. Similar proposals this year at <b>Apple</b> and <b>Starbucks</b> both earned 1.7 percent support, not enough for resubmission. This resolution also is pending at <b>Facebook</b> , <b>Salesforce.com</b> and <b>Twitter</b> ; <b>Alphabet</b> has the resolution again, but has lodged an SEC challenge that is likely to succeed, on the grounds that its 2 percent support last year makes it ineligible for reconsideration.
<b>Summary</b>	The proposal, from a conservative activist group, asserts that “true diversity comes from diversity of thought” and that conservatives are being left off the boards of some companies. It believes that a report that includes “ideological diversity” would address those concerns. <p>Women make up half the company’s 10-person board, the result of a strong policy that includes women and people of color explicitly in the nomination process. The company also reports on race and gender diversity figures for employees overall and in manager posts. Amazon discloses its board member attributes in its proxy statement, though not in the matrix format requested, and does not include “ideological diversity” among the attributes listed.</p> <p>Investors may wish to consider the aims of the proponent, which in a similar proposal at <b>Alphabet</b> last year said the request was made only to “sate liberal bean counters.” If they support more board diversity disclosure, in terms of race, ethnicity and gender, but are uncomfortable with inherent contradictions of this resolution, some shareholders may wish to abstain.</p>

#### Item 13 – Report on gender/minority pay disparity

<b>Resolved Clause</b>	Resolved: Shareholders request Amazon report on the company’s <i>global median</i> gender pay gap, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining female talent. The report should be prepared at reasonable cost, omitting proprietary information, litigation strategy and legal compliance information. <p>The gender pay gap is defined as the difference between male and female <i>median</i> earnings expressed as a percentage of male earnings (Organization for Economic Cooperation and Development).</p>
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<b>Lead Proponent</b>	Arjuna Capital
<b>Vote History</b>	A similar proposal was withdrawn in 2016 after Amazon agreed to address gender pay equity, as well as report on its policies and goals to close the gender pay gap.
<b>Summary</b>	After successfully negotiating with Amazon in 2016 to begin to address gender pay equity, to reveal gender pay gap figures and take steps to address discrepancies in compensation between men and women, the proponents are going a step further. They are requesting that Amazon reveal its median gender pay gap, which encompasses not just “equal pay for equal work” but the degree of representation by women in the highest levels of leadership. Investors will have to decide if the company is already doing enough to address gender pay disparities, or if this further figure will help the company better address its stated values and goals regarding diversity and inclusion.

#### Item 14 – Report on executive pay links to diversity metrics

<b>Resolved Clause</b>	RESOLVED: Shareholders request the Board Compensation Committee prepare a report assessing the feasibility of integrating sustainability metrics, including metrics regarding diversity among senior executives, into performance measures or vesting conditions that may apply to senior executives under the Company’s compensation plans or arrangements. For the purposes of this proposal, “sustainability” is defined as how environmental and social considerations, and related financial impacts, are integrated into long-term corporate strategy, and “diversity” refers to gender, racial, and ethnic diversity.
<b>Lead Proponent</b>	Zevin Asset Management
<b>Vote History</b>	None from this proponent at Amazon.com. See the Proponent Position section below for information on the proponent’s larger campaign. In 2017, Amazon opposed a proposal from Mercy for Animals asking the company to link executive pay to sustainability metrics, a proposal which earned 4.8 percent support.
<b>Summary</b>	The proponent says Amazon is lagging its competitors in the tech field in terms of creating a more diverse workforce, and points to peers Microsoft, Intel and IBM as companies that have linked executive pay to workforce diversity goals. The company says its executive compensation program keeps executives focused on long-term company value by using time-based stock awards with no performance vesting requirements of any kind. The company says it believes “the pursuit of diversity goals can enhance long-term shareholder value,” and that executives with long-term stock-based awards are therefore already incentivized to pursue such goals. Shareholders will have to decide whether specific performance criteria based on sustainability and workforce diversity would improve the company’s executive compensation program, or whether the company’s current efforts in the areas of sustainability and diversity are sufficient.

## I. Amazon.com: Diversity, Decent Work & Executive Compensation

Amazon.com is an online retailer, in business only since 1995, which serves consumers, sellers, enterprises and content creators in each of its reportable segments. Those are: North America, International and Amazon Web Services (AWS):

Financials			
(\$ millions)	2017*	2018	% Change
<b>Net Sales</b>	\$177,866	\$232,887	30.9%
<b>Net Income</b>	3,0333	10,073	202.2%
*Includes Whole Foods Market from the date of its acquisition on Aug. 28, 2017.			

- For **consumers**, Amazon operates a retail website that sells its own products as well as those of third parties. It also sells electronic products including Kindle e-readers, Fire tablets, Fire TVs and Echo devices and develops and produces media content. Through the Amazon Prime program, it offers an annual membership that

includes unlimited free shipping on millions of items, as well as access to unlimited instant streaming of thousands of movies and TV episodes, as well as other benefits.

- For  **sellers**, Amazon offers programs that enable them to sell their products on its websites and their own branded websites and to fulfill orders through the Amazon distribution network, which allows the company to earn fixed fees, revenue share fees, per-unit activity fees or some combination thereof.
- For  **developers and enterprises**, it offers AWS to customers of all sizes, from start-ups to governments and academic institutions, providing global computing, storage, database and other services that enable virtually any type of business.
- For  **content creators**, it operates Kindle Direct Publishing, an online publishing platform, and Amazon Publishing, for authors, musicians, filmmakers, app developers and others to publish and sell content.

Amazon had 647,500 full- and part-time employees at the end of 2018, up from 566,000 in 2017.

### **Board Diversity**

**Members:** Amazon's current board is composed of 10 directors; half are women— Rosalind Brewer (African American), Jamie Gorelick, Judith McGrath, Indra Nooyi (South Asian) and Patricia Q. Stonesifer. The chair of the board is the company's CEO, Jeff Bezos; lead director is Jonathan Rubinstein. All the men are white. All stand for election annually.

**Form 10-K:** In its [2018 10-K](#), Amazon.com does not mention diversity and inclusion of any sort.

**Corporate governance:** The company's [Guidelines on Significant Corporate Governance Issues](#) discuss management and board roles and responsibilities. The guidelines say the following about nominations:

The full Board, on the recommendation of the Nominating and Corporate Governance Committee, nominates candidates for election to the Board. In selecting candidates for recommendation to the Board, the Nominating and Corporate Governance Committee annually reviews the tenure, performance, and contributions of existing Board members to the extent they are candidates for re-election, and considers all aspects of each candidate's qualifications and skills in the context of the needs of the Company at that point in time with a view to creating a Board with a diversity of experience and perspectives, including diversity with respect to race, gender, geography, and areas of expertise. Accordingly, the Nominating and Corporate Governance Committee includes, and has any search firm that it engages include, women and minority candidates in the pool from which the Committee selects director candidates. Among the qualifications and skills of a candidate considered important by the Nominating and Corporate Governance Committee are a commitment to representing the long-term interests of the shareowners; customer experience skills; internet savvy; an inquisitive and objective perspective; the willingness to take appropriate risks; leadership ability; human capital management; personal and professional ethics, integrity and values; practical wisdom and sound judgment; and business and professional experience in fields such as operations, technology, finance/accounting, or marketing.

The company is one of only a few to have achieved gender parity on the board.

Amazon's [2019 proxy statement](#) reiterates the diversity attributes sought by the company for its directors, pointing out the nominating committee "seeks out candidates with a diversity of experience and perspectives." The company does not mention "ideological diversity" as a characteristic it seeks—although as noted above it seeks "a diversity of experience and perspectives."

## **Workforce Diversity**

For 2014 and 2016, Amazon publicly released its comprehensive report to the U.S. Equal Opportunity Commission describing the diversity of its workforce. However, those reports do not appear to be directly available on its website anymore; the company has opted for more selective disclosure, notably omitting any further voluntary disclosure of the diversity of its executive level employees. Publicly released 2014 data showed that of 110 executives in the United States, only 19 were women, and 83 were white men, numbers that improved only very slightly for 2016.

Of the company's seven executive officers whose names must be disclosed to the SEC, one is a woman, Shelley Reynolds, Vice President and Worldwide Controller.

For 2018, Amazon disclosed that women account for 42 percent of its global workforce, but just 27 percent of managers. Even more strikingly, while Amazon's overall workforce in the U.S. is 25 percent black, black employees make up only 7 percent of its U.S. managers. The percentage of employees who are Asian actually increases at the management level, from 15 percent in the U.S. workforce overall to 21 percent. And while 17 percent of Amazon U.S. workers are Hispanic, like black workers, Hispanics comprise only 7 percent of managers.

Amazon.com maintains [webpages](#) about diversity and inclusion in its operations, saying it is "continually looking" to improve. Diversity is part of the company's mission because:

Diverse and inclusive teams have a positive impact on our products and services, and help us better serve customers, selling partners, content creators, employees, and community stakeholders from every background. We are constantly learning and iterating, whether through central programs or work within our business teams, through programs that are local, regional, and global.

The company notes it has ten employee-led affinity groups involving 40,000 employees and more than 190 chapters around the world, which host conferences on different aspects of diversity such as race and ethnicity or gender diversity. It points out:

Our focus on diversity and inclusion has been independently recognized as one of the best places to work on [Human Rights Campaign's Corporate Equality Index](#) and [LinkedIn's Top Companies](#); been recognized on the NAACP Equity, Inclusion, and Empowerment Index and the [Disability Equality Index](#); and received the 2019 [American Foundation for the Blind Helen Keller Achievement Award](#).

## **Gender Pay Equity**

As noted above, Arjuna Capital's 2016 gender pay equity proposal to Amazon was withdrawn after the company committed to addressing gender equity issues and reporting on its efforts. The company's [Workforce Data page](#) of its website states that the company has made "year-over-year" progress to improve representation, but does not provide data from previous years to support that assertion.

Additionally, nowhere does Amazon set any kinds of concrete targets or time frames for improvement in regards to gender pay or representation disparities. Even with robust efforts, change can be slow. In the absence of specific targets or time frames for improvement, however, investors may have trouble assessing the company's success.

**Mandatory U.K. reporting:** Starting in 2018, companies operating in the United Kingdom with 250 or more employees must report yearly on salary differences between men and women, differences in bonuses, and the proportion of men versus women who receive bonuses.

Amazon [reports](#) on six separate divisions operating in the UK- Amazon Video Limited, Amazon Online UK Limited, Amazon EU Sarl UK Branch, Amazon UK Services Ltd., Amazon Development (London) Limited, and Amazon Web Services UK Limited. It should be noted that four divisions showed improvements year

U.K. Gender Pay Gap Figures		
Division	2018 Hourly Wage Gap	2017 Hourly Wage Gap
Amazon Video Limited	Not required to report	56%
Amazon Online UK Limited	9.4%	17.4%
Amazon EU Sarl, UK Branch	16.1%	19%
Amazon UK Services Ltd.	0%	Women 0.1% higher
Amazon Development Centre (London) Ltd.	11.4%	17.2%
Amazon Web Services UK Ltd.	20.1%	18.4%

over year in closing their median gender pay gap. One division, Amazon UK Service Ltd., showed no appreciable median gender pay gap, and one division, Amazon Web Services UK Limited, showed an increase in the gender pay gap.

These numbers suggest that the company's [strategies](#) to address gender pay equity are working overall, though there is still room for improvement. Whether or not the figures being publicly reported contributed to reduction in the wage gap in most divisions by encouraging company accountability is unclear, but supporters of median gender pay gap reporting in the U.S. argue it is essential based on the idea that "what gets measured gets managed."

Four out of the six divisions showed improvement in median bonus pay year over year, except for Amazon Web Services UK Limited, which showed an increase in the gap. In its 2017 report women's median bonus pay was 4.7 percent higher than men's, while in its 2018 report women's median bonus pay was 3.4 percent lower.

In all divisions, women make up a minority of senior leadership.

In its 2018 report, Amazon states that "Our Gender Pay Gap for our total UK workforce shows parity (0%) in median pay between male and female employees compared to a UK average of +17.9 percent in favor of men. In 2018, 60.3% of female employees received a bonus and 58.6 percent of male employees received a bonus." Despite the gender pay disparities across most divisions, these total figures are possible because Amazon UK Services Ltd. accounts for 83.4% of the U.K. workforce.

### **Sexual Harassment: Policies and Press**

Amazon discloses few specifics on its sexual harassment policies. It has had few widely reported incidents of sexual harassment.

**Policies:** The charter of Amazon's board-level Leadership Development and Compensation Committee says that that committee oversees:

the Company's Code of Business Conduct and Ethics with respect to workplace discrimination and harassment. The Committee periodically receives and reviews reports on complaints, allegations, and incidents regarding workplace discrimination and harassment reported pursuant to the Code of Business Conduct and Ethics.

According to the proxy, the company added this language to the committee's charter in 2018.

The company's [code of business conduct](#) contains a brief reference to discrimination and harassment, and refers readers to its Equal Employment Opportunity and Workplace Harassment policy in the Amazon.com Owner's Manual, which does not seem to be publicly available online.

**Press:** The proponent references a [2017 scandal](#) involving Roy Price, the former head of Amazon studios, who, according to the *New York Times*, resigned following a producer's public accusation that he had "lewdly and repeatedly propositioned her" in 2015. According to a *New York Times* source, the company received allegations against Price in 2015, and responded by telling Price to watch his drinking.

An [analysis in the Atlantic](#) said that factors that may have contributed to harassment at Amazon include few women in top roles, hierarchical decision-making, and a permissive attitude among leaders.

However, this incident appears to be the only widely reported incident of sexual harassment at the company. The company appears to have reconsidered its film commitments following Price's exit, leading to a [breach of contract suit by filmmaker Woody Allen](#), who says that Amazon is backing out of a deal with him because of "25-year-old baseless allegations" of sexual misconduct.

## II. Proponent Positions

### *Item 10 – Sexual Harassment*

The proponent, [the National Legal and Policy Center](#), is a conservative watchdog group that investigates corruption in the government, corporations and unions. It is not named in the proxy, but [takes credit for the resolution](#) on its website. It appears to share a perspective on the company with the National Center for Public Policy Research, another conservative filer discussed below in the section on item 12, concluding its proposal abruptly with the statement "a less monolithic Company culture, especially at the executive level, will create a more inclusive and respectful workplace."

The proponent accuses Amazon executives of hypocrisy with respect to sexual harassment. On the one hand, says the proponent, Amazon executives have "aggressively allied themselves with a variety of progressive social and political causes," and its Chief Executive Officer controls *The Washington Post*, which the proponent says promotes the same causes.

At the same time, an Amazon executive became "embroiled" in sexual harassment scandal. Specifically, the proponent mentions the 2017 resignation of Amazon Studio head Roy Price following a company suspension for sexual harassment, with allegations purportedly dating back to 2015. The proponent cites 2017 *New York Times* reporting suggesting that Roy Price may have been among those who protected Harvey Weinstein.

The proponent points to the bankruptcy of **The Weinstein Company LLC** as a caution to shareholders to take risks from sexual harassment seriously. "Several public companies have lost billions in market capitalization shortly after executives were accused of sexual misconduct, prompting lawsuits by shareholders," says the proponent.

For these reasons, the proponent asks the company to report on its policies on sexual harassment, saying in its supporting statement that the report might include:

- A review of policies and procedures to confirm that effective grievance mechanisms are in place and are being publicized within the Company, and that material penalties exist and are being appropriately enforced.
- Disclosure of the number of firings and disciplinary actions short of termination taken by the Company as a result of these policies.
- Disclosure of information about sexual harassment financial settlements, omitting names of the parties but including the number of settlements, the aggregate dollar amount of settlements, statistics on the management level of the alleged perpetrator, and statistics on the general nature of the alleged offenses.
- A review of executive compensation structures analyzing how performance can be linked to a reduction in sexual harassment within the Company.
- A review of employment recruitment efforts in terms of how they achieve ideological, political, religious and geographical diversity.

### **Item 12 – Board Nominee Ideology**

Investors may wish to note that while the resolution uses language similar to that employed by proponents of greater ethnic, racial and gender diversity on corporate boards, this sort of diversity is not supported by the proponent. (The proponent is not named in the proxy statement but the language is nearly identical to proposals submitted to several other companies from the conservative National Center for Public Policy Research (NCPPr).) The resolution introduces the concept of “ideological diversity,” which “contemplates differences in political/policy beliefs.” It says this information should be presented to investors in a chart or matrix, showing all qualifications including ideology.

NCPPr says that boards with diverse perspectives “can think more critically and oversee corporate managers more effectively,” and that “meaningful disclosure about potential Board members” will allow investors to better “judge how well-suited individual board nominees are for the Company and whether their listed skills, experience and attributes are appropriate in light of the Company’s overall business strategy.”

The proponent notes that SEC rules already require companies to identify the minimum skills needed for board members and says, “Ideological diversity contemplates differences in political/policy beliefs.” Further, “true diversity comes from diversity of thought.” It asserts, “There is ample evidence that many companies operate in ideological hegemony that eschews conservative people, thoughts, and values. This ideological echo chamber can result in groupthink that is the antithesis of diversity. This can be a major risk factor for shareholders.”

NCPPr says board diversity is “best achieved through highly qualified candidates with a wide range of skills, experience, beliefs and independence from management.” It concludes the requested disclosure about ideological diversity (and other attributes) will benefit investors.

### **Item 13 – Gender Pay Equity**

Proponent Arjuna Capital has been working since 2016 to address the issue of gender pay disparity via company shareholder proposals. According to its proposal, the World Economic Forum estimates that the gender pay gap costs the economy \$1.2 trillion annually. Women make only 80 percent of what men make, which can represent as much as half a million dollars in lost earnings over the course of an individual’s career. African-American women and Latina women earn even less, percentage-wise, than their white, male counterparts, which means even greater wage loss over a lifetime.

Since negotiating with Arjuna in 2016 concerning gender pay disparities, the company has shown improvement. According to the proposal, in 2017 Amazon reported that wage gap figures adjusted for experience, level and geography showed women received 101.5 percent of the compensation received by men. However, the proponent notes the percentage of women in leadership roles is still lagging. Women represent 40 percent of employees, but only 26 percent of leadership.

The proponent expresses concern about the effect of the gender pay gap on stock price, citing research from *Morgan Stanley*, *McKinsey*, and *Robeco Sam* which suggests that, “gender diverse leadership leads to superior stock price performance and return on equity.”

Evolving public policy is also noted by the proponent as a risk, not just in countries like the U.K., where addressing gender pay gaps is mandated, but also in the United States. It notes that federal legislation to address the gender pay gap has been introduced Congress, and a handful of states have already enacted state-level pay discrimination statutes.

The proponent requests a report on the global median pay gap, and all associated policies and risks, noting race and ethnicity, including base, bonus and equity compensation. The resolution argues this information is necessary for investors to adequately assess company strategy and performance.

### **Item 14 – Executive Pay Links to Diversity**

The proponent, Zevin Asset Management, has filed similar proposals at seven companies in 2018 and 2019, including **Alphabet, Apple, AT&T, Citrix, eBay** and **United Parcel Service**. Apple and eBay omitted the proposal on technical grounds in 2018. Also in 2018, Zevin withdrew the proposal at AT&T, Amazon and Citrix. The proposal earned 8.7 percent and 13.3 percent support at Alphabet and United Parcel Service, respectively, in 2018. The proposal remains pending at Alphabet and United Parcel Service, as well as Amazon as of this writing.

In asking for a report assessing the feasibility of integrating sustainability considerations into executive pay decisions, the proponent echoes the views of many proponents who support sustainability reporting (including diversity) and links between ESG metrics and pay. It defines sustainability as “how environmental and social considerations, and related financial impacts, are integrated into long-term corporate strategy” and diversity as “gender, racial, and ethnic diversity.”

According to the proponent, numerous studies suggest integration of ESG metrics into compensation can help to reduce reputational, legal and regulatory risks, as well as improve long-term performance. It notes that guidance from the UN Principles for Responsible Investment has stated that including ESG factors into incentive compensation can help protect long-term shareholder value. The proponent points out that companies such as **Unilever** and **Walmart** have already begun to link ESG metrics to executive compensation.

As to the effects of diversity and inclusion on business sustainability and success, the proponent cites:

- A 2015 McKinsey & Company study that found that “companies in the top quartiles for gender and racial/ethnic diversity were more likely to have above average financial returns.”
- A 2013 Catalyst report that states that “diversity was positively associated with more customers, increased sales revenue, and greater relative profits.”

However, the proponent believes that technology companies have not fully embraced diversity as “people of color hold just 9 percent of technical roles in the sector (Intel/Dalberg, 2016). Women hold 36 percent of entry level tech jobs and just 19 percent of C-Suite positions (‘Women in the Workplace,’ McKinsey, 2016).”

Specifically regarding Amazon, Zevin Asset Management notes a 2017 observation from Rev. Jesse Jackson that the Amazon board is still all white, and therefore does “not represent America’s talent and America’s opportunity.” It also cites a *Bloomberg Businessweek* article arguing that “Amazon is one of the bigger sinners” among tech companies “struggling with diversity and inclusion.”

While acknowledging that the company has taken steps to address diversity it points out that it “remains predominantly white and male, especially in leadership roles. According to the proponent:

Among Amazon’s top 105 executives in 2016 (according to the most recent EEO-1 report made available), just 22 percent were women, and only one executive was an underrepresented person of color. According to the above Bloomberg Businessweek report “[o]f the 10 people who report directly to Chief Executive Officer Jeff Bezos, all are white, and only one . . . is a woman.”

The proponent believes that shareholders want more information on the connection between diversity and accountability in the company’s executive offices, and that the integration of diversity metrics into executive compensation would enhance the company’s approach to the issue. It also points out that Microsoft, Intel and IBM have already established diversity goals with some links to executive compensation.

### III. Management Positions

#### *Item 10 – Sexual Harassment*

The board briefly describes the company's governance and policies with respect to sexual harassment, and recommends that shareholders vote against the proposal. Management says that in 2018, the board amended its Leadership Development and Compensation Committee Charter "to expressly state that the committee will oversee our Code of Business Conduct and Ethics with respect to sexual harassment and other forms of unlawful harassment, and workplace discrimination." That committee, according to the company, "receives and reviews regular, periodic reports on any complaints, allegations, and incidents regarding sexual harassment" and other forms of harassment and discrimination.

The company says its anti-harassment policy is broadly communicated, that all managers receive anti-harassment training, and that it has "mechanisms to report and respond to complaints." The company prohibits retaliation for "good faith" complaints, and "promptly" investigates allegations of "unlawful harassment."

#### *Item 12 – Board Nominee Ideology*

Amazon.com's board of directors opposes the proposal. It says:

Diversity is a cornerstone of our continued success, and we are proud of the diversity of experience and perspectives represented by our directors and our employees. As Amazon's CEO has stated 'We're a company of builders whose diverse backgrounds, ideas, and points of view are critical to helping us invent on behalf of all our customers. But it's not only that diversity and inclusion are good for our business. It's more fundamental than that—it's simply right. These are enduring values for us—and nothing will change that.'

Management says it already has "robust nominating processes...which address much of what this proposal requests." It notes its governance guidelines, as well as its nominating committee's effort to attract diverse board candidates in terms of "experience and perspectives, including diversity with respect to race, gender, geography, and areas of expertise," and reiterates the range of skills it seeks—all of which are noted above in this report. It points investors to the director information contained in the proxy statement.

Because the company's current nomination processes "are designed to advance the long-term interests of shareholders by constituting a Board that reflects a diversity of experience and perspectives," and since the nominating committee annually reviews director qualifications and their applicability to the company's need, management believes the proposal is unnecessary. The current board has "deep business acumen that reflects and benefits from a diversity of perspectives, engages in robust discussions, and makes well-informed decisions."

#### *Item 13 – Gender Pay Equity*

Amazon.com's board of directors opposes the proposal. It says:

Reporting an unadjusted global median wage gap statistic annually would not advance our deep commitment to ensuring equal pay for equal work. An unadjusted global median pay statistic does not account for differences in pay practices across countries such as cost of living, job function, level, labor force participation rates, country currency, geography, and other factors that impact differences in compensation on a global basis. We believe that the global pay gap information that we review and disclose publicly each year, which incorporates these differences, provides a more accurate picture of our global pay policies and practices.

Management states that the adjusted gender pay gap figures it reports show women make 99.5 percent of what men make as of 2018, and minorities make 98.5 percent of what white employees make.

The company notes its investment in bringing women and minorities into leadership via an executive recruiting team focused on hiring more diverse talent, as well as participation in events and partnerships with groups like AnitaB.org and WePowerTech, and introduction of several programs to bring diverse leaders into more senior roles.

It also notes its Affinity Groups, as explained previously, which reach over 40,000 employees in over 190 chapters, as well as its “[innovative benefit offerings](#)” and annual “learning experiences,” including Conversations on Race and Ethnicity (CORE) and AmazeCon (gender diversity) conferences.

The increase in the percentage of women and minorities in senior leadership roles over the last three years, in addition to recognition of the company’s diversity and inclusion efforts by third parties such as the Human Rights Campaign’s Corporate Equality Index, the NAACP Equity, Inclusion and Empowerment Index and the Disability Equality Index, are evidence, the proxy states, of the company’s commitment and achievements in addressing equity across multiple identity groups.

#### **Item 14 – Executive Pay Links to Diversity**

Management opposes the resolution, saying executive compensation at Amazon is primarily stock-based compensation, and that the company avoids performance measures in general, preferring to incentivize managers to build company value long-term. The company says it has had high levels of shareholder approval for this executive compensation program.

“We believe that the pursuit of sustainability and diversity goals can enhance long-term shareholder value,” says the company, arguing that executives therefore already have incentives, through their stock-based compensation, to pursue sustainability and diversity goals.

In its opposition, the company also briefly reviews its commitments with respect to environmental sustainability and workforce diversity, referring shareholders to its websites on [sustainability](#) and [diversity](#) for more information.

## **IV. Analysis**

*Si2’s [Briefing Paper on Board Diversity](#) contains a detailed analysis of diversity issues investors may want to consider. The paper on [Decent Work](#) covers pay equity issues as well as workplace treatment and sexual harassment, while the [Sustainability Management & Oversight](#) paper examines ESG pay links.*

*For items 10 and 12, some investors may wish to consider the aims of the proponents, who represent conservative groups. They use similar language as advocates for more racial, ethnical and gender diversity, but seem motivated by political disagreements with company executives. In the case of item 12, proponents have even expressed opposition to efforts to the traditional concept of diversity on boards.*

*The following discussions are specific to Amazon.com.*

#### **Item 10 - Sexual Harassment**

##### **Key Points at Issue**

- Are Amazon’s sexual harassment policies adequate?
- Does Amazon provide the right level of disclosure with respect to sexual harassment to mitigate related risks?
- Is the proponent bringing this proposal because of a genuine concern about sexual harassment at the company, or because it disagrees with the political perspective of its executives and *The Washington Post*?

Amazon provides very little disclosure of its sexual harassment policies or its track record at preventing sexual harassment at the company. It did formally adopt board-level oversight of sexual harassment issues at the company via a board committee in 2018 following a 2017 scandal involving one executive. While there have been few widely reported incidents of harassment at the company, shareholders might wonder whether the information the company discloses is enough to demonstrate robust policies and risk management in this area.

On the other hand, since it seems as though the board has only recently begun oversight of this aspect of management at the company, the company may need more time to develop its internal programs and improve management before making a public report.

Finally, some aspects of the proponents' proposal are incongruous and might cause shareholders to consider abstention. The proponent's mention of Amazon CEO Jeff Bezos's relationship with *The Washington Post*, as well as a reference in the conclusion of the proposal to a need for "ideological, political, religious and geographical diversity" in company recruitment efforts do not seem directly related to the topic of the proposal.

#### **Voting Considerations:**

**Votes in favor**—Investors who think the company responded too slowly in a widely reported incident of sexual harassment by an executive, or who think the company does not disclose enough information about its sexual harassment policies and their effectiveness, may vote for the proposal. Those who are concerned about the steep drop-off in the representation of women at higher levels of the company may also vote for the proposal, joined by those who believe that in the #MeToo era, companies must do more to demonstrate that they are properly mitigating risks in this area.

**Votes against**—Investors who believe that risks to shareholders posed by sexual harassment at the company are not material may vote against the proposal. Those who believe that it is better to hold potentially explosive information closer to the chest may also vote against the proposal, believing that in the #MeToo era, it is better to disclose as little as possible about company policies and track record on sexual harassment. Those who believe that high levels of representation of women on the board of the company and board oversight of sexual harassment policy should be sufficient to mitigate risk in this area may also vote against the proposal.

**Abstaining**—Shareholders who might support more active company management and disclosure to prevent sexual harassment, but who think that this particular proposal might be an attempt by a political opponent to embarrass the company or its executives, could consider abstaining in this case.

### ***Item 12 - Board Nominee Ideology***

#### **Key Points at Issue**

- Should investors consider the aims of the proponent?
- Would disclosure of board member and board nominee "ideological diversity" attributes alongside other qualifications help investors better understand nominees' suitability for the board?

Half the Amazon.com board is comprised of women, an unusual feat in corporate America. Amazon had more success achieving this for directors than for managers, where whites account for about 62 percent of jobs and Asians another 20 percent.

The company does not attempt to quantify the ideological diversity sought by the proponent nor report on it at any level of the company. The proponent asserts there is "ample evidence" that tech companies can suffer from what it says is "ideological hegemony that eschews conservative people, thoughts and values." Investors may want to consider if they believe ideology has any relevance to the running of a

large public company such as Amazon, while noting that the proponent does not offer any examples of the “ample evidence” it claims exists. Some investors therefore may wonder if the proponent is concerned with Amazon’s business or with making an unrelated political point. Those who share the proponent’s concern about the ills of “ideological hegemony” may see it as a risk—which the company does not—and think the requested information would be helpful.

The company explicitly considers gender, race and ethnicity in its search for board nominees, in addition to many other qualifications. It concludes that its board “reflects and benefits from a diversity of perspectives.”

### **Voting Considerations:**

As noted above, investors will have to decide how to handle this proposal, which asks for “diversity” information, using the language of other investors who have a very different definition of the concept. The request for information in a “matrix format” mirrors resolutions offered by the New York City Comptroller’s office, seeking comparable data on board diversity and related qualifications. The company does not currently present board characteristics in a matrix, but it does describe their qualifications.

**Votes in favor**—Investors who think ideological diversity is lacking at Amazon.com, is relevant to business success, and should be considered in board nominations may want to support the proposal. They may find the current information about board members’ qualifications insufficient.

**Votes against**—Two groups of investors may decide to vote against the proposal. First, those who are uncomfortable with the proponent’s use of language that generally supports greater racial, ethnic and gender diversity while in fact pursuing a different goal may decide to reject it because they see the resolution as a “wolf in sheep’s clothing” approach. They may be joined by a second group, those who are satisfied with the company’s current board and nominee disclosures and promotion of gender, racial and ethnic diversity on the board.

**Abstaining**—Investors have a third option, as well. Abstaining is a route for those who do not wish to support a resolution that presents a notion of diversity outside its usual meaning, and for those that support greater board diversity but not in a resolution couched in the current proposal’s terms.

## **Item 13 - Gender Pay Equity**

### **Key Points at Issue**

- Does Amazon’s current reporting on adjusted gender pay equity figures allow investors to assess the company’s success in addressing gender pay disparities?
- Would adopting the proposal help the company better manage workforce diversity?
- Would adopting the proposal reduce regulatory and litigation risk?

Arjuna Capital made similar median pay gap proposals to 12 companies across multiple business sectors this year. Almost immediately upon receiving the proposal in January, **Citigroup** decided to become the first U.S. company to [publicize](#) its median pay gap figures. Like Amazon, Citigroup was reporting women making over 99 cents for every dollar men made when adjusting for job function, level and geography. When it figured the median pay gap number, however, women were earning just 71 percent of what men earn.

As reported in [Quartz](#), Citigroup received criticism after publicizing its findings. But it made a commitment to address the issues raised by the figures. Its goal is to increase representation at the assistant vice president through managing director levels, to at least 40 percent for women globally and 8 percent

for U.S. black employees by the end of 2021. Sara Wechter, Head of Human Resources at Citigroup, wrote:

to be a high-performing organization, we need a team that is representative of the places where we operate and the clients we serve. Much work is being done to live up to that goal. Citi has a strong record of action on important issues related to diversity, inclusion and equality, which we hope will benefit not only Citi colleagues, but others as well.

The proponent argues that actions such as Citigroup's will pay off in the long run, for investors as well as for employees.

The risk to Amazon if it does not follow Citigroup's lead is unclear. Momentum seems to be growing for greater disclosure. A growing number of states are adopting increasing [equal pay requirements](#). Also, this month a federal court [ruled](#) that all U.S. companies with more than 100 employees will be required to report comprehensive compensation data, disaggregated by race and gender, to the Equal Employment Opportunity Commission. The expanded requirements, which originated under the Obama administration, were temporarily frozen by the Office of Management and Budget under the Trump administration.

The data will be confidential, but still will likely advance the growing national conversation about pay equity, and help close the pay gap. Recent Harvard [research](#), based on the effects of required reporting laws on Danish companies since the 2006 Act on Gender Specific Pay Statistics, suggests that gender pay gaps shrink when companies are required to report them, and do not adversely affect financial performance.

On the other hand, since women are not equally represented in management ranks at Amazon, a median pay gap of some kind exists. As detailed above, there is a median pay gap in the U.K. divisions according to Amazon's own data, and representation of women in senior roles is not markedly higher in the U.S. Disclosing median gender pay gap information company wide might invite litigation, or hurt the company's efforts to recruit and retain women.

#### **Voting Considerations:**

**Votes in favor**—Shareholders who believe more data disclosure could pinpoint deficiencies in Amazon's diversity program and help dismantle employment barriers for women will vote for this proposal, considering the financial benefits of workplace diversity as well as its social value.

**Votes against**—Shareholders who believe that Amazon's current disclosures, diversity policies, and stated commitment to pay equity are sufficient will vote against the proposal. They may think that further disclosure could arm company critics with ammunition to file lawsuits and mount campaigns, or hurt the company's ability to recruit or retain more women. Shareholders who believe it is smarter for companies to hold potentially controversial information closer to the chest therefore also may decide to vote against the proposal.

#### ***Item 14 - Executive Pay Links to Diversity***

##### **Key Point at Issue**

- Is Amazon's focus on stock-based compensation sufficient incentive for executives to pursue sustainability and diversity goals?

The company provides the bulk of its compensation in restricted stock awards with long vesting periods, in an effort to align executive interests with shareholder interests. While theoretically sustainability and diversity can improve long term company performance, some investors think management may need more of a direct push in these areas. Workforce diversity, particularly in tech roles and management, is

a challenge for fast-growing companies like Amazon. Several have stated commitments to diversity, disclosed information about their workforce diversity, and then pulled back from disclosure after having difficulty making much headway. Those who have linked pay to diversity outcomes have been more successful.

Similarly, Amazon's environmental footprint is vast and fast-growing, and some investors may think the company needs more of a nudge towards more sustainable environmental practices now and that a link to executive pay would help.

**Voting Considerations:**

**Votes in favor**—Investors who think Amazon management needs more direct incentives to set the company on a course towards more sustainability and diversity will vote for the proposal. Those who are concerned about what they see and don't see in company disclosures on these topics may join them.

**Votes against**—Investors who believe that markets set appropriate pay rates and that sustainability and diversity considerations, to the extent they are material, are reflected in stock prices, may vote against this proposal. Those who are satisfied with Amazon's current efforts with respect to diversity and sustainability, and those who believe that any flaws in the company's programs in those areas are not material, may also vote against the proposal.

**Resources**

- Amazon.com's 2018 Form 10-K  
<https://www.sec.gov/Archives/edgar/data/1018724/000101872419000004/amzn-20181231x10k.htm>
- Amazon.com's 2019 Proxy Statement  
<https://www.sec.gov/Archives/edgar/data/1018724/000119312519102995/d667736ddef14a.htm>