AGENDA
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Amazon Execs Pool Stock in Revolt Against Board

By Lindsay Frost
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A group of employees at **Amazon** are fed up with the lack of transparency and action the e-commerce giant has taken on climate change. So they decided to pool the shares given to them as compensation to file a proposal asking the company to disclose a solid plan on how to tackle the impacts of climate change. **According to *The New York Times***, this is the first employee-sponsored shareholder resolution filed at a tech company.

This comes as employees begin to work more closely with shareholders to drive action on environmental and social issues impacting companies and the communities in which they operate. Experts predict that more employees, particularly those in the millennial generation, will begin to use their shareholder rights to bring these issues directly to the board. Boards should open the lines of communication to company employees and consider disclosing more about environmental and social issues, sources say.

"Employees are taking their employers up on their word to have a voice at the company, which isn't just a good brand message anymore," says **Davia Temin**, president and CEO of crisis consulting firm **Temin and Co.** "I don't think this is going to go away any time soon. It's probably going to become a staple of governance issues."

Employees Agitate for Change

Emily Cunningham, user experience designer at Amazon and one of more than a dozen employees co-filing the resolution there, says filing the proposal was a way to "get visibility within the highest leadership of the company and the board of directors given the urgency of climate change."

"We thought it was a great way to engage and get the visibility that climate necessitates," Cunningham says. "We are in a unique position as employees and shareholders to really drive that conversation internally and externally because this affects other shareholders, assets of the business and the larger society. It's a global issue."

Cunningham's colleagues first got interested in taking the shareholder route once they realized that their pressure can effect change, she says.

Last year, Amazon fought a shareholder proposal asking the company to implement the "Rooney Rule" for board candidates, which ensures that women and minorities are at least represented in the pool the board considers as potential directors. Facing increasing employee pressure, the company publicly supported the rule.

"This is an example of informed employees getting upset about how the company is reacting to a concern, so we thought, what can we do as employees at this global, powerful company to impact [climate change]," Cunningham says.

Cunningham says the proposal is seeking a plan for mitigating the risk climate change poses to the business and for the company to reduce its dependence on fossil fuels.

"My hope is that the plan will be in line with science and match the challenge and urgency of what is required," Cunningham says. "There is an incredible opportunity around addressing climate change amidst a new emerging economy that will overtake dying fossil fuels. Clean energy will get more competitive, and those that jump in now will have an incredible advantage."

The company currently has a sustainability section on its website detailing several initiatives and policies, but neither its latest proxy statement nor its 10-K detail anything regarding sustainability or climate change action.

Kara Hurst, director of worldwide sustainability at Amazon, writes in a statement that the company has set a goal to power its global infrastructure with 100% renewable energy and continues to invest in renewable energy and energy efficiency innovations. To date, the company has solar energy systems at 25 fulfillment centers with plans to reach 50 by 2020. Amazon also has more than 30 wind and solar projects across the United States.

"We're continuously working to optimize our transportation network and develop innovative technologies that lower our environmental impact," Hurst writes. "We have joined numerous industry partnerships to support action on climate change and to accelerate the transition to a low-carbon economy."

Despite those steps, Amazon is a laggard in disclosures regarding climate change generally, according to research from **Rebecca Deutsch**, a volunteer with **350 Seattle**, a Seattle-focused grassroots climate change group.

According to 350 Seattle, Amazon has not released any data or commitments on its emissions and fossil-fuel use for delivery operations. In 2017, Amazon's delivery operations contributed over 19 million metric tons of carbon. Also, the fact that Amazon does not have a target date for its renewable energy goal discredits it, among other issues, Deutsch says.

Amazon's annual proxy has not been filed, so it is unclear whether the proposal will appear. An annual meeting date has not been set yet.

Employees at **Alphabet**'s Google have worked with the company's shareholders to push for diversity, equal pay and representation at the company. Last year, Google engineer **Irene Knapp** presented a shareholder proposal from **Zevin Asset Management** asking the company to link diversity metrics to executive compensation. The proposal ultimately failed, and a lack of progress on diversity at Google led to an employee walkout last November.

Michelle Miller, co-founder and co-director of **Coworker.org**, a nonprofit that helps facilitate employee action at companies that do not have unions, says the organization has continued to work with Google employees who are concerned with diversity and harassment issues. Coworker.org linked Zevin with Knapp and other employees through another nonprofit organization called **Open Mic** that conjoins shareholders interested in issues such as diversity and climate change with employees and leverages that common interest through the shareholder proposal and engagement process.

"This creates a stronger and more informed approach for each group of people," Miller says. "Shareholders benefit from hearing how employees are directly impacted and what it means to have a proposal pass, and employees can think about shareholders as not distant, unconnected people just investing in a company but as active and interested participants in insuring a company is meeting its potential."

The demands stemming from the Google walkout included an end to forced arbitration; a commitment to end pay and opportunity inequity; a publicly disclosed sexual harassment transparency report; a clear, uniform, globally inclusive process for reporting sexual misconduct; promoting the chief diversity officer to report directly to the CEO; and, adding an employee representative to the board. Since then, the company has responded by eliminating mandatory arbitration and adding **other transparency measures**.

However, the matter has not yet been laid to rest. The *Los Angeles Times* **reported** yesterday that a Google shareholder is suing the board, alleging that directors engaged in a coverup of misconduct settlements, leading to lost revenues and shareholder value. The plaintiff is seeking damages plus three new directors appointed to the board and a one-share, one-vote proxy voting structure.

The organizers of the employee walkout could not be reached for comment, and Google did not return requests for a comment.

Miller hopes to establish training programs for shareholding employees in the near future to teach them what their equity stakes mean and how they can use them to agitate for change.

"For younger tech workers who just got out of college, especially, there's a lot that comes at you when you get a job. You know you have shares, but you might not know the rights it gives you to take action through different levers," Miller says. "With a little bit of education and understanding, it would be a good way to take action at companies."

Matteo Tonello, managing director of corporate governance for the **Conference Board**, writes in an e-mail that these instances generally fit into a broader theme of growing stakeholder engagement in corporate affairs, especially regarding environmental and social policies. The employee groups at Amazon and Google in particular have "taken a page out of the playbook of SRI-oriented investment firms such as **Arjuna Capital**," Tonello says.

Similarly, he notes that such organizations as **As You Sow** and the **National Center for Public Policy Research** are examples of non-traditional investors that are more frequently using the proxy voting process to accomplish goals outside of traditional investment growth, such as environmental sustainability, that will eventually lead to long-term financial success, and employees with a more direct interest in the business success of the company may take up those strategies in the future as well.

Should Boards Respond?

Boards should be prepared for this new level of employee activism, Temin says. Companies will have to adopt a new attitude, which means no longer writing off the points of view of employees, even if their information is incorrect. This doesn't mean automatically capitulating to their demands, Temin says, but giving them a chance to air them.

"Boards and management are going to have to listen and adopt somewhat more transparency around operations and choices they have made that they never had to exhibit before," Temin says. "That could be problematic on many levels, but these folks are not just taking assurances at face value. It's another stressor on governance and the corporate board."

Meanwhile, Miller says employee representation on boards would help bring these issues to the forefront. Senator **Elizabeth Warren** (D-Mass.) proposed this in the Accountable Capitalism Act last year, legislation which is currently sitting in the Senate.

By now, boards should understand that major issues impacting society, such as diversity, climate change, corporate culture, pay discrimination and gun control "are not going away," Tonello writes.

"If investors, customers, suppliers, let alone local communities, have these issues on their mind, they should be on directors' minds as well," Tonello writes.

The first step in addressing these issues is bridging the gap between the board, the C-suite and the overall workforce through giving boards regular access to rank-and-file employees, Tonello writes.

"We are talking about the age-old issue of carrots and sticks in the battleground of governance ideas," Temin says. "And in employee shareholder actions and resolutions, we have found some new sticks."