

CtW Investment Group

November 30, 2017

Jeffrey Bezos
Chairman and CEO
Amazon, Inc.
410 Terry Avenue North
Seattle, WA 98109

Dear Mr. Bezos,

Following the October departure of Amazon Studios' executives Roy Price, Joe Lewis, and Conrad Riggs¹ more than two years after credible reports of Mr. Price's harassing behavior became known to the company, we are concerned that Amazon needs to take decisive action to address the lack of diversity in its senior executive ranks and the shortcomings of its human capital management policies. Specifically, we urge you and the board to:

1. Promptly commit to increasing the diversity of the senior executive team through steps beyond the "Rooney Rule", including objective targets for gender diversity.
2. Commit to gender parity on the board, thereby becoming the clear leader in board diversity among technology companies.
3. Create a Stakeholder Advisory Council comprised of experts on sustainability issues – including promoting gender diversity and preventing sexual harassment – that meets regularly with the board and senior management.
4. Retain an independent expert in labor law to review all employment agreements the company requires employees to sign to ensure that they in no way inhibit the ability of employees to report or discuss harassment, inappropriate conduct, or unfair treatment, and to remove any provision that may limit employees' ability to seek relief through litigation.
5. Increase the authority and independence of Amazon's existing affinity groups, so that they can become an effective independent mechanism through which employees at any level or division within Amazon may raise concerns over harassment, inappropriate conduct, or unfair treatment, and empowering those affinity groups to seek external arbitration to resolve concerns management has not successfully addressed.

In order to ensure that shareholders have an opportunity to demonstrate support for increased diversity in Amazon's senior management and on Amazon's board, we are submitting an advisory shareholder resolution under a separate cover.

The CtW Investment Group works with union-sponsored pension funds to enhance long-term stockholder value through active ownership. These funds have over \$250 billion in assets under management and are substantial Amazon shareholders.

¹ Nick Wingfield, "Inside Amazon, Diversity Concerns Flare Up After Harassment Accusations," *The New York Times*, October 20, 2017; Laura Prudom, "Amazon just lost two more executives in the wake of Roy Price's sexual harassment scandal" *Mashable*, October 24, 2017.

Amazon's Gender Diversity Gap

We view the toleration of sexual harassment as an unacceptable practice that poses significant litigation, reputational, and human capital risks to long-term shareholders. Moreover, the effective toleration of harassing behavior signals an organization's priorities more persuasively than any rhetoric. As former Amazon employee Julie Cheiffetz aptly put it:

An organization's culture is shaped by its leadership. We can talk about how these stories are endemic to certain industries — Hollywood, Silicon Valley — but the larger issue is one of representation. Who is in charge? Who makes the rules? And who enforces them?²

At Amazon, the answer to each of these questions is: overwhelmingly men. *The New York Times* has reported that of the sixteen executives reporting directly to you, only one is female, and of the seventy six executives reporting to these sixteen, approximately fourteen (18.4%) are women. Amazon itself reports that only 25% of its managers are women, even as women comprise nearly 40% of its overall workforce.³ Other major technology companies appear to have more gender diversity in their upper ranks: the *Times* reports that at Microsoft, three of the fifteen executives reporting to the CEO are women, while at Apple fully six of the eighteen executives reporting to the CEO are women.⁴

We suspect that the roughly two-year lag between the company's receiving credible reports of Mr. Price's harassment of Ms. Hackett and his recent departure stems ultimately from Amazon's failure to ensure that women have the opportunity to rise to the highest ranks within Amazon's workforce. Moreover, it appears that women working at Amazon view the company as less fair in its treatment of them than women working for other technology companies. For instance, in 2016 Fairygodboss reported that Amazon ranked 8th among technology companies with only 40% of women reporting that they felt they were treated equally, compared to Apple at 72% and Microsoft at 58%.⁵ Furthermore, Amazon ranked last among technology companies in whether women working there would recommend their employer to other women (35%).⁶ In 2017, Amazon did not even make Fairygodboss' top 10 technology companies, with a score below 50% (the score for the lowest ranked company).⁷

Changing the Tone at the Top

In order to address the lack of diversity in Amazon's senior executive ranks, the board of directors should establish clear quantitative goals for increased gender diversity and hold executives accountable for meeting those goals. These goals need to go beyond the "Rooney Rule" – requiring that at least one woman is included in the candidate pool – and specify specific numbers or proportions for women at various levels within Amazon, including in the group of executives that reports directly to you. These goals should be supported by additional policies including bystander intervention training and workplace

² Wingfield, *Ibid.*

³ www.amazon.com/b?node=10080092011, accessed on 11/28/17 (about halfway down the page).

⁴ Wingfield, *Ibid.*

⁵ Clare O'Connor, "Apple Tops (Short) List of Tech Companies Where Women Report Equal Treatment," *Forbes*, March 11, 2016.

⁶ O'Connor, *Ibid.*

⁷ fairygodboss.com/best-companies-for-women-technology, accessed on 11/28/17.

civility training, which the Equal Employment Opportunity Commission's Select Taskforce recommends as important complements to existing workplace harassment training.⁸

Moreover, directors should commit to increasing the proportion of women on the board. Currently, Amazon has three female directors out of eleven, a slightly higher proportion than Apple, Facebook, or Alphabet. We believe that sending a clear signal that Amazon intends to be a leader in gender diversity – in part through committing to gender parity on the board of directors – will significantly enhance the credibility of Amazon's commitment to maintaining a diverse and inclusive workplace, helping to improve its reputation among women employees.

Finally, we urge the board to create a Stakeholder Advisory Council, comprised of experts in a variety of fields related to sustainability and corporate social responsibility, to advise the board and senior management on issues of importance to a variety of stakeholders. Many other large companies have formed Stakeholder Advisory Councils, including GE, Coca-Cola, Dow Chemical, and Wells Fargo, and have found them to be a valuable source of insight into the broad range of stakeholder concerns that may unexpectedly arise and negatively affect the reputation of unprepared companies.

Sexual Harassment as a Failure of Human Capital Management

Like a growing number of investors, we view effective human capital management as a key source of sustainable value creation, while recognizing that ineffective human capital management threatens both companies' operations and public reputation. Tolerating abusive workplace behavior is in particular being recognized as a major impediment to productivity, and an indicator of a broader failure to properly oversee human capital.⁹ Moreover, when reports of abusive behavior and the effective toleration of it by executives and directors inevitably leaks out, the resulting reputational damage can have a severe impact on shareholders: for instance, between Bill O'Reilly's departure from Fox News on April 19 and the spread of rumors of significant asset sales in early November, Twenty-First Century Fox saw its share price fall by nearly 18%.¹⁰

We therefore urge the board to go much further than it has in the past to address the longstanding perception of Amazon as both an excessively high-pressure workplace as well as one where women are not treated fairly. One important step in addressing Amazon's poorly perceived human capital management would be to obtain an independent assessment of Amazon's standard employment contracts, including any non-disclosure agreements, not simply to confirm that they are in accordance with the law, but to ensure that these agreements neither impede nor are likely to be perceived by employees as impeding their ability to raise concerns over harassment, inappropriate or abusive behavior, or unfair treatment including questions of pay, promotion, evaluation, and retention.

Additionally, we believe that the various affinity groups described on Amazon's sustainability website could potentially play a critical role in improving Amazon's human capital management, but doing so would require considerable increases in the authority of such groups. In particular, the company should adopt a policy requiring managers to meet with and discuss any workplace issue such a group wishes to

⁸ U.S. Equal Employment Opportunity Commission, *Select Task Force On The Study Of Harassment In The Workplace*, Report of Co-Chairs Chai R. Feldblum and Victoria A. Lipnic June 2016.

⁹ Jennifer Bethany Wallace, "The Costs of Workplace Rudeness," *The Wall Street Journal*, August 18, 2017.

¹⁰ Data from Google Finance. FOXA on April 19, 2017 \$30.39, FOXA on November 3, 2017 \$24.97, $\$30.39 - \$24.97 = \$5.42/\$30.39 = 17.8\%$.

discuss, and company policy should enable these groups—entirely at their own discretion – to opt for mandatory arbitration by an independent outside expert selected by the affinity group for any issue that they believe has not been adequately addressed by management.

Amazon Should Act Now

We believe that the evidence suggests that Amazon’s gender diversity gap creates significant risks for long-term shareholders, and that further delays in rethinking Amazon’s approach to human capital management may have dire consequences. In light of our concerns, we are submitting, under a separate cover, a shareholder resolution calling for increased gender diversity in the senior executive ranks and on the board of directors. We hope the Amazon board of directors will support this proposal.

We would be happy to discuss this proposal and our broader concerns with you and other members of Amazon’s board at your convenience. Please call our Richard Clayton, our Research Director, at (202) 721-6028 to arrange a convenient time for us to meet.

Sincerely,

A handwritten signature in blue ink, appearing to read "Richard Clayton".

Executive Director
CtW Investment Group