

Investment Stewardship

Vote Bulletin: Amazon.com, Inc.

Company	Amazon.com, Inc. (NASDAQ: AMZN)
Market and Sector	United States, Consumer Discretionary
Meeting Date	25 May 2022
Key Resolutions ¹	<p>Item 1g: Elect Judith A. McGrath</p> <p>Item 3: Advisory Vote to Ratify Named Executive Officers' Compensation</p> <p>Item 8: Report on Efforts to Reduce Plastic Use (Shareholder proposal)</p> <p>Item 9: Report on Worker Health and Safety Disparities (Shareholder proposal)</p> <p>Item 14: Report on Lobbying Payments and Policy (Shareholder proposal)</p> <p>Item 16: Commission a Third-Party Audit on Working Conditions (Shareholder proposal)</p>
Key Topics	Incentives aligned with value creation, natural capital, company impacts on people
Board Recommendation	The board recommended shareholders vote FOR Items 1g and 3 and AGAINST Items 8, 9, 14, and 16
BlackRock Vote	BlackRock voted AGAINST Item 1g, 9 and 16, and FOR Items 3, 8 and 14

Overview

Amazon.com, Inc. (Amazon) is a technology company focusing on the provision of online retail shopping services.

BlackRock Investment Stewardship (BIS) has a long history of engagement with Amazon where we have discussed a range of corporate governance and sustainable business matters that we believe contribute to a company's ability to deliver the durable, long-term shareholder returns our clients depend on to meet their financial goals. This has included discussions on the company's approach to human capital management, diversity, equity and inclusion, natural capital and executive compensation.

The meeting agenda at Amazon's 2022 annual general meeting (AGM) included fourteen shareholder proposals for consideration, in addition to proposals put forth by management on items such as the election of directors and executive compensation.

Consistent with our fiduciary approach, BIS takes a case-by-case approach to assessing shareholder proposals, evaluating each proposal on its merit and with a singular focus on its implications for long-term value creation.

¹ Amazon.com, Inc., "[Notice of 2022 Annual Meeting of Shareholders & Proxy Statement](#)".

We consider the business and economic relevance of the issue raised, as well as its materiality and the urgency with which we believe it should be addressed. While we may not agree with all aspects of a shareholder proponent's views or all facets of the proponent's supporting statement, we may still support proposals that address material business risks in relation to which, we believe, it would be helpful for shareholders to have more detailed information on how those risks are identified, monitored and managed to support a company's ability to deliver long-term financial returns. We are unlikely to support shareholder proposals that in our determination are overly prescriptive in nature, unduly constraining on management, or are focused on issues already appropriately addressed by the company's existing practices and disclosure.² We may hold directors accountable if, in our assessment, the board has failed to sufficiently address material issues or act with an appropriate sense of urgency.

Please see below for a discussion of BIS' voting, on behalf of those clients who have given us authority, on select proposals at Amazon's 2022 AGM.³

Rationale for BlackRock's vote

Item 1g: Elect Judith A. McGrath (AGAINST)

BIS did not support the re-election of the Chair of the Leadership Development and Compensation Committee because of our concerns about the Board's response to various human capital management risks, which we believe may create adverse impacts that could expose the company to legal, regulatory, and operational risks and jeopardize their long-term success.

As the Chair of the Leadership Development and Compensation Committee, Director McGrath is responsible for overseeing Amazon's strategies and policies related to human capital management within the workforce, including policies on diversity and inclusion, workplace environment and safety, and corporate culture. BIS determined that the board could be more proactive in responding to stakeholder concerns regarding human capital management and the assessment of the associated human capital risks for the company. We believe that the successful management of these issues contribute to the company's ability to deliver the durable, long-term shareholder returns our clients depend on to meet their financial goals.

Item 3: Advisory Vote to Ratify Named Executive Officers' Compensation (FOR)

BIS supported management's Say on Pay proposal as we did not have concerns about Amazon's executive compensation philosophy, particularly in light of the first CEO succession in the company's history.

Of particular note for shareholders this year is executive compensation given the first CEO succession in Amazon's history. In July 2021, Andrew Jassy became President and CEO of Amazon, succeeding Jeff Bezos who has led the company since founding it in 1994. In recent engagements, BIS discussed Amazon's executive pay policies with members of the leadership team to understand the alignment between the different components and the company's long-term strategy. BIS believes the Board's Leadership Development and Compensation Committee has shown effective oversight over the company's compensation program, which includes its annual and long-term vesting schedules and the equity grant to the new CEO. On the latter, faced with the first CEO succession in the company's history, Amazon's Leadership Development and Compensation Committee provided in their disclosures insight to shareholders regarding the award and compensation

² As discussed in our paper, "2022 climate-related shareholder proposals more prescriptive than 2021", BIS is not supportive of shareholder proposals that do not promote long-term shareholder value and/or are unduly prescriptive. Without exception, our decisions are guided by our role as a fiduciary to act in our clients' long-term economic interests.

³ We recognize that some of our clients may take a different view, and more of our clients are interested in having a say in how their index holdings are voted. Beginning in 2022, BlackRock is taking the first in a series of steps to expand the opportunity for clients to participate in proxy voting decisions where legally and operationally viable. To do this, BlackRock developed new technology and worked to enable a significant expansion in proxy voting choices for more clients. For more information see: <https://www.blackrock.com/corporate/about-us/investment-stewardship/proxy-voting-choice>.

strategy for the company's new CEO. Accordingly, the Committee's main goal in determining the grant was to design a plan that ensures a long-term perspective.

In making this 10-year grant, the Leadership Development and Compensation Committee reviewed realizable compensation data for Mr. Jassy currently and over the term of the award under various stock price performance assumptions, taking into account the vesting schedule of existing equity awards granted to him in previous years. The Committee also reviewed current year and three-year average reported market compensation survey data for large technology and general industry CEOs, similar one-time awards made upon the promotion of CEOs of other large technology companies, and current year and three-year average reported and realized compensation of CEOs of other large cap companies. BIS believes that Amazon's Leadership Development and Compensation Committee has exercised judgement in a manner generally consistent with shareholder interests, and we therefore supported the Say on Pay proposal at this year's AGM.

Item 8: Report on Efforts to Reduce Plastic Use (FOR)

BIS supported this shareholder proposal because, in our assessment, shareholders would benefit from more information on the company's approach to reducing plastic waste arising from their products and services.

The shareholder proposal requested that the Board issue a report "describing how the company could reduce its plastics use in alignment with the 1/3 reduction findings of the Pew Report, or other authoritative sources, to reduce the majority of ocean pollution."⁴

Engaging on plastics pollution is an increasingly important topic for BIS, as discussed in our commentary on [Our approach to engagement on natural capital](#). We appreciate when companies who produce or rely heavily on plastics in their products or operations disclose information on product design and lifecycle management⁵ including how waste is managed. This disclosure might include total amount of plastics used, how they are accelerating efforts related to recycling and reuse of plastic products to minimize waste, such as efforts to improve infrastructure support in challenged areas, efforts and investments around research and innovation to develop substitute products for single-use plastics such as biodegradable plastics. This may also include targets established to limit runoff and waste and to support efforts to clean up existing plastics pollution.

In our view, plastics pollution is a material risk for the company.⁶ Amazon currently discloses efforts to increase the recycled content used in their packaging, which in 2021 increased from 25% to 50% for their plastic film bags, and from 15% to over 40% for their plastic padded bags.⁷ Amazon's 2023 goal is to reduce single-use plastics in their device packaging, with the intent to make this packaging 100% curbside recyclable.⁸

While we believe that the company's goals in relation to plastic recycling are clear, Amazon does not explicitly disclose the total amount of plastic used; therefore, it is difficult for stakeholders to determine how effectively the company is managing this material risk and their progress year over year. As a result, we supported this shareholder proposal, as we believe it is in the best economic interests of our clients for Amazon to enhance their disclosure on this material long-term business risk.

⁴ Amazon.com, Inc., "[Notice of 2022 Annual Meeting of Shareholders & Proxy Statement](#)".

⁵ Identified by the Sustainability Accounting Standards Board standards as a [material risk](#) for the e-commerce industry of which Amazon is a constituent.

⁶ See Plastics: Recycling Update, "[Corporate giants face internal pressure on plastic](#)" 25 May 2022.

⁷ Amazon.com, Inc., "[Amazon Sustainability 2020 Report](#)", June 2021.

⁸ See previous footnote.

Item 9: Report on Worker Health and Safety Disparities (AGAINST)

The company has already agreed to a racial equity audit. Therefore, BIS did not support this shareholder proposal because we believe this third-party audit will address the proponent's request.

The shareholder proposal requested that the Board “issue a report, at reasonable cost and excluding proprietary information, examining whether Amazon’s health and safety practices give rise to any racial and gender disparities in workplace injury rates among its warehouse workers and the impact of any such disparities on the long-term earnings and career advancement potential of female and minority warehouse workers. Among other things, the report shall include lost time injury rates for all warehouse workers, broken down by race, gender and ethnicity.”⁹

At the company’s 2021 AGM, BIS supported a shareholder proposal requesting a diversity and equity audit report. The proposal did not pass, though it received a relatively significant amount of support from shareholders (~44%). In response, the company agreed to conduct a third-party led racial equity audit and is in the process of doing so. Amazon will make the results public once the audit is complete.¹⁰ As a result, we believe that the proponent’s request will be addressed upon completion of the audit conducted by a credible third-party.

Item 14. Report on Lobbying Payments and Policy (FOR)

While Amazon’s political activities disclosure is robust, BIS supported this proposal because we believe they could make the current disclosure more accessible, which would better enable stakeholders to assess the information provided.

The shareholder proposal requested that Amazon prepare an annual report disclosing the company’s corporate political activities policies and procedures, including for direct, indirect and grassroots lobbying.¹¹

BIS regularly engages with companies to understand how they use corporate political activities to support policy matters material to their long-term strategy and shareholder value. As part of this, we look at companies’ publicly available disclosures to understand how lobbying and political contributions support their stated policy positions.

As explained in our commentary on [Our perspective on corporate political activities](#), we look to companies that engage in political activities to develop, maintain, and disclose robust processes, including effective board oversight, to guide these activities and mitigate associated risks. It is helpful to investors’ understanding if companies provide accessible and clear disclosures so that investors can easily understand how companies’ political activities support their long-term strategy, including on their stated public policy priorities.

Currently, Amazon discloses U.S. federal lobbying activities on a quarterly basis.¹² While BIS appreciates the level of reporting already provided by Amazon, we believe that the information remains challenging for stakeholders to readily assess. Amazon does not post the disclosure directly to their website – stakeholders are redirected to a federal government site to access the information – and it is cumbersome to gather the data as currently presented. As a result, BIS supported this shareholder proposal as, in our view, enhanced disclosure of political activities would aid understanding of Amazon’s approach to this business risk, which is aligned with the economic interests of our clients.

⁹ Amazon.com, Inc., “[Notice of 2022 Annual Meeting of Shareholders & Proxy Statement](#)”.

¹⁰ See previous footnote.

¹¹ See previous footnote.

¹² United States Senate Lobbying Disclosure, “[Registrations and Quarterly Activity](#)”

Item 16: Commission a Third-Party Audit on Working Conditions (AGAINST)

BIS did not support this shareholder proposal because we believe that the company's existing disclosure and policies already meet the proponent's request.

The shareholder proposal requested that the Board “commission an independent audit and report of the working conditions and treatment that Amazon warehouse workers face, including the impact of its policies, management, performance metrics, and targets.”¹³

In BIS' assessment, the company's disclosure on workplace safety, as detailed in the “Delivered with Care” report,¹⁴ is sufficiently robust. The disclosure discusses Amazon's commitments and existing efforts to improve workplace safety, as well as workforce injury incident rates. Amazon also tracks incidents that lead to the most serious injuries to focus greater attention to activities with potentially higher risk. Moreover, the company's incident rates are in line with Bureau of Labor Statistics data for comparable categories, although their rates are higher versus other large public companies such as Home Depot, Lowe's and Walmart.

Given the company's existing safety practices, robust disclosure and peer-aligned incident rates, BIS believes that the requested report would not provide additional information that we would find helpful to our understanding. Accordingly, in our view, it would not be in our clients' economic interests to support this shareholder proposal.

¹³ Amazon.com, Inc., “Notice of 2022 Annual Meeting of Shareholders & Proxy Statement”.

¹⁴ Amazon.com, Inc., “Delivered with Care”.

About BlackRock Investment Stewardship (BIS)

Our clients depend on BlackRock to help them achieve their investment goals. These clients include public and private pension plans, governments, insurance companies, endowments, universities, charities and ultimately individual investors, among others. Consistent with BlackRock's fiduciary duty as an asset manager, BIS' purpose is to support companies which we invest for our clients in their efforts to create long term durable financial performance.

BIS serves as an important link between our clients and the companies they invest in – and the trust our clients place in us gives us a great responsibility to advocate on their behalf. That is why we are interested in hearing from companies about their strategies for navigating the challenges and capturing the opportunities they face. As we are long-term investors on behalf of our clients, the business and governance decisions that companies make will have a direct impact on our clients' investment outcomes and financial well-being.

We look to boards and executive management to demonstrate that they are taking into consideration the interests of long-term shareholders and other stakeholders. Our, often multi-year, dialogue with the leaders of these companies provides us the opportunity to improve our understanding of, and provide feedback on, the governance and sustainability (ESG) risks and opportunities that are material to their businesses and thus to their ability to generate long-term returns for our clients. For those clients who have given us authority, we vote proxies in their best long-term financial interests, in line with our public [voting guidelines](#) and informed by our analysis of company disclosures and, where relevant, our engagements.¹⁵

To support investors' assessment, it is helpful when companies provide timely, accurate, and comprehensive disclosure on all material governance and business matters, including sustainability-related issues. This transparency allows shareholders to better understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or we believe the approach taken may be inconsistent with sustainable, long-term value creation, we will engage with a company and/or vote in a manner that signals our concerns.

We are committed to transparency in the stewardship work we do on behalf of clients. We inform clients about our engagement and voting policies and activities through direct communication and through disclosure on our [website](#). For shareholder meetings where a vote might be of particular interest to clients, we may publish a vote bulletin after the meeting, disclosing and explaining how we voted on key proposals.

Want to know more? blackrock.com/stewardship

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¹⁵ As detailed in our [Global Principles](#), proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.