CtW Investment Group

May 19, 2017

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

Dear Mr. Bezos,

In light of the increased scrutiny of Amazon, its employment practices, and the practices of its contractors, we urge the board to create a Stakeholder Advisory Council that will provide directors with access to individuals with knowledge and experience in human capital management, supply chain management, managing diversity and similar issues affecting sustainability. Many other leading companies, including Coca-Cola, HMV, and GE, have created similar advisory bodies to provide directors with ready access to individuals who can help boards manage challenges that threaten to undermine their operations, reputations, and long-term strategies. Now that Amazon is the largest retailer in the US, an employer of over 300,000 workers, and the primary customer of contractors that employ thousands more, it will increasingly face claims that it or its contractors are engaging in discriminatory, exploitative, or unlawful behavior. Amazon's future growth depends in significant part navigating these new challenges successfully, which will require the board to demonstrate that it can effectively oversee management's approach and ensure that needed changes are made. We believe a well-designed Stakeholder Advisory Council would enable the board to play this oversight role more effectively, while also signaling to the investing public that Amazon recognizes and is working to meet head-on the sustainability challenges it will face going forward.

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.

Shareholders Learning to Value Effective Human Capital Management

Investors are increasingly aware that effective human capital management is potentially a source of sustainable, increased earnings, while ineffective human capital management practices pose a threat both to a company's operations and to its public reputation. For instance, while for many years Wells Fargo analysts viewed the company's commitment to high sales growth as a positive, the intense sales culture and high quotas were in fact creating significant financial and reputational risks. Once the full scope of false account creation became public, Wells Fargo shareholders saw their company's market capitalization drop by over 12%, a loss that has not yet been recovered – thus constituting a penalty on their investment over and above the fines the company is obliged to pay in its settlement with regulators. Other financial institutions, including Washington Mutual and Countrywide Financial, have in the past used sales quotas and other powerful incentive to drive mortgage issuance during the housing bubble, leading to fraudulent mortgage issuance and devastating losses for shareholders. More recently, Twenty-First Century Fox's market capitalization has fallen by more than 10% since its repeated sexual harassment settlements became public, along with further accusations against prominent on-air personalities and senior executives. Finally, well-established companies with strong brands and dominant market share, such as McDonalds and Wal-Mart, nevertheless experienced long periods of lackluster growth, but found that by raising pay for low-paid workers they could reduce turnover, improve productivity, and win back customers. This kind of constructive approach to human capital management enables all stakeholders to share in a company's growth, thereby providing motivation to ensure that such growth occurs.

Concerns with Amazon's Employment Practices Grows

In the last two years, a number of events have brought new focus to Amazon as both a direct and indirect employer: a lengthy expose in the New York Times demonstrated that many Amazon employees struggle to balance company demands with family life, and many others experience routine humiliation and extreme stress, leading to an unusually high level of turnover for an apparently prosperous high-tech company. More recently, African-American and Latino drivers for Amazon contractors in the Boston area have filed a racial discrimination class action suit against the company, alleging that they were fired for failing an unlawfully narrow background check months after beginning and successfully performing their jobs. In Seattle, the security contractor at Amazon's headquarters building has been the subject of numerous public protests after refusing to allow Muslim workers space to pray during their legally mandated breaks. Finally, Amazon is being sued by a former managers alleging religious discrimination that resulted in him being fired. Concerns over these allegations could negatively affect Amazon's business strategy, particularly in the wake of Amazon's recent acquisition of Souk; the reality or appearance of discrimination towards Muslim contracted and direct employees could result reputational and financial costs that would be difficult to repair.

While you responded to the New York Times article by urging all employees to read it and report any abusive behavior to you or to the human resources department, such a statement can only be a first step. Amazon needs to ensure both that employees have the justified belief that if they report abusive workplace conduct, that their claim will be properly investigated and addressed, and also that they will face no retaliation or recrimination, even if the investigation fails to support their claims. Moreover, Amazon would benefit from its board increasing its capacity to oversee employment practices and ensure that it understands how corporate decisions affect stakeholders throughout Amazon's production chain, and how the subsequent actions of those stakeholders may redound to Amazon's long-term benefit or detriment.

Our experience with many companies reinforces our belief that successfully implementing such robust human capital management practices requires board attention and oversight, and that a Stakeholder Advisory Council can enhance the board's understanding of how to provide that oversight in an effective and productive manner.

We would be happy to discuss the proposal with you 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,

Executive Director
CtW Investment Group