End Unequal Vote-Counting at Amazon

To: Amazon Shareowners
Subject: Correct unequal vote-counting practices that handicap shareholders
Action: Vote FOR Proposal #15, proxy page 38
AGM: May 22, 2019 @ 9:00am in Seattle, WA
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Fact: Amazon uses two vote-counting formulas in its proxy, one that favors reelection of Board members, and a different formula that undercounts support for shareholder-sponsored proposals. The difference is in how ABSTAIN votes are counted.

(1) Simple-Majority Formula
for Board election: FOR vs: FOR + AGAINST
(2) Amazon’s Formula
for shareholder items: FOR vs: FOR + AGAINST + ABSTAIN

Simple math: whenever abstentions are added to the denominator (i.e., below the line) it mathematically reduces the outcome; in other words, it stacks the deck against stockholders. This is unwarranted, and harms shareowner best interest.

For example: At Plum Creek Timber, a winning 56.2% simple-majority proxy vote on disclosure of political spending was turned into a “failing” 34.2% vote (22 points lower), because the company swapped formulas to be able to add abstentions into the count.

56.2% Majority Win vs: 34.2% “failing”

Here’s how the numbers stack up:

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\begin{align*}
\text{FOR} & \quad 9.67 \text{m shrs} \\
\text{AGAINST} & \quad 7.54 \text{m shrs}
\end{align*}
\]

\[
\begin{align*}
\text{FOR} & \quad 9.67 \text{m shrs} \\
\text{AGAINST} & \quad 7.54 \text{m shrs}
\end{align*}
\]

\[
\begin{align*}
9.67 \text{m shares} & \quad \text{vs:} \quad 9.67 \text{m shares} + 7.54 \text{m} + 11.10 \text{m}
\end{align*}
\]
A. Background & Details on this Proposal

1. Policy 3.7 of the Council of Institutional Investors (CII) declares that “abstentions should be counted only for purposes of a quorum” (emphasis added).

2. Institutional Shareholder Services has written: “ISS believes that a simple majority of voting shares should be all that is necessary to effect change regarding a company and its governance provisions.”

3. Amazon’s high tech peers Facebook, Apple, and Microsoft all count shareholder votes using a fair, simple-majority standard.

4. A Simple-Majority formula is mandated by the U.S. Securities and Exchange Commission (SEC) for use in determining whether a proposal qualifies for resubmission.

   There is a bug in Amazon’s legal operating system – its governance rules – that is sorely in need of a fix. At a time when shareholders, workers, consumers, and regulators demand greater accountability, Amazon embraces an outdated governance practice that gives its Board unwarranted power to disregard investor concerns.

   This bug – known as “Formula Swapping” – has caused many dozens of shareholder proposals that legitimately earned a winning majority vote (i.e., more votes FOR than AGAINST) to instead be dismissed by companies as “failing”.

   “If [the] purpose of a vote is to implement the intentions of the stockholders, isn’t the intention of a person who abstains to not affect the outcome?” writes attorney Keith Paul Bishop (Allen Matkins 2014). Counting abstentions in the formula, he continues, amounts to “unjustifiably counting the indifferent and undecided.”

   the Oxford English Dictionary defines ABSTAIN as: To formally decline to vote either FOR or AGAINST a proposal or motion.

B. Investor Choice in regard to stockholder-sponsored proposals

   With a Simple-Majority formula (only FOR and AGAINST in the formula), investors have four possible choices when it comes to voting on a shareholder proposal:
   
   1. Vote FOR = ignoring the Board’s recommendation
   2. Vote AGAINST = following the Board’s recommendation
   3. Vote ABSTAIN = neutral, neither for nor against (as defined by the OED)
   4. Leave blank = gets voted following the Board’s recommendation
With a simple-majority standard, each of the three voting options (besides leaving blank) is not only viable and unique, together they form a nuanced, meaningful, and distinct set of tools for ‘sending a message’—tools that allow every investor to clearly signal intent.

However, when Amazon includes abstentions in the formula through formula-swapping, #3 can no longer be used to send a message because it gets counted following the Board’s recommendation, just as #2 and #4 do.

Thus, formula-swapping diminishes the range of investor choice, eliminates option #3 above (a nuanced and critically essential ‘message sending’ tool), and further stacks the deck in Management’s favor by making 3 of an investor’s 4 choices result in supporting Management’s position—which can happen without the shareowner being aware that their vote has been co-opted.

Dispensing with voter intent (while potentially voiding an investor’s ability to send a message) Amazon’s formula-swapping thwarts investor choice and harms stockholder best interest.

C. Voter Intent and Sending a Message

Investors can have many reasons to ABSTAIN, though typically it involves wanting to ‘send a message’ that the shareholder:

1. Wants Management to pay attention, signaling this by not following the Board’s recommendation to vote AGAINST.
2. May like the proposal, but doesn’t yet know enough to actively support it.
3. May look favorably on an idea, but would like to see it expressed or implemented differently.
4. Is genuinely agnostic or cannot decide, so chooses to not register a vote.

Regardless of voter intent, having all abstentions recharacterized to count against FOR votes eliminates the ABSTAIN vote’s utility, advantages Management, and disenfranchises stockholders.

Amazon’s governance policy choices stack the deck against stockholders in two ways:

- Because the proxy stipulates that “in the absence of directions” a returned ballot “will be voted in accordance with the Board’s recommendations”, whenever an item is left blank Management captures that vote.
- As detailed above, Amazon’s embrace of formula-swapping effectively converts abstentions into AGAINST votes.

D. Rebuttal to Amazon’s Statement in Opposition

The Company’s response to this shareholder Proposal includes a number of questionable and perhaps misleading assertions. For example:

Misleading: “[Our] vote-counting methodology...does not inherently favor proposals submitted by the Board over proposals submitted by shareholders.”
Management’s Board election ignores abstentions (to the Board’s benefit), while the formula on shareholder items includes them (to shareholders’ detriment).

**Misleading:** “[The Proposal’s] methodology would...disenfranchise...voters who chose to abstain”

As detailed above, the reality is that a simple-majority standard grants investors an additional option for expressing intent – one that is eliminated under Amazon’s protocol.

**Misleading:** Amazon implies its voting protocol is mandated by Section 216 of Delaware law.

In fact, it is only the ‘default’ that remains when a simple-majority standard is not elected. In stark contrast to being mandated, this makes Amazon’s protocol the least shareholder-friendly approach permitted under Delaware law.

**Misleading:** Amazon states that the Proposal’s request “would remove one of the voter’s three options”.

In truth, a simple-majority standard not only allows ABSTAIN votes, it gives them a uniquely distinct meaning – one that is blocked under Amazon’s policy.

**Misleading:** Amazon suggests that relatively small differences in outcome are inconsequential.

The fact is that the majority of the dozens-upon-dozens of shareholder votes that have been subverted, were toppled by an “abstention gap” smaller than 4%.

One need only recall the 2000 Presidential election and Florida recount to highlight how small differences in tally can have dramatic and enduring effects.

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**In Closing**

Companies understand that public perceptions count. It is clear that Amazon stacks the voting deck against shareowners in a way that makes “success” more difficult for shareholder proposals to achieve.

Under a simple-majority standard, the ABSTAIN vote constitutes a real, distinct, and useful third choice for investors – one that delivers genuine message-sending power.

Under Amazon’s policy, the ABSTAIN category of vote is effectively eliminated – instead made to be identical to two other options – all three of which then benefit Management by diminishing the appearance of support for any issue raised by shareholders.

**THEREFORE,**

**PLEASE vote FOR item #15**

**TO end UNEQUAL VOTE-COUNTING AT AMAZON**

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*NOTE: This is not a solicitation of authority to vote your proxy. Please DO NOT send us your proxy card; Investor Voice is not able to vote your proxies, nor does this communication contemplate such an event. Investor Voice urges shareholders to vote FOR Item number 15 following the instructions provided on the management’s proxy mailing.*