

Activist shareholders push Amazon on everything from facial recognition to climate change

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Amazon is now the No. 1 target of activist shareholders.

The Seattle-based global commerce and technology giant was pushed past ExxonMobil and Chevron in 2019, receiving the most shareholder resolutions focused on corporate environmental, social and governance issues.

That was by design. Members of the Interfaith Center on Corporate Responsibility (ICCR) - a coalition including religious institutional investors, environmental nonprofits, labor groups and social-purpose asset managers—began organizing a coordinated campaign last spring to

concentrate their efforts on Amazon, in part through the shareholder-proposal process, a way owners of stock in publicly traded companies can have a voice in their management.

Shareholders affiliated with the coalition submitted 10 resolutions asking Amazon to report on its efforts to address hate speech, the impact of its operations on communities and human rights, its effect on [climate-change](#) and greenhouse gas reduction plans. They also asked Amazon to study and potentially limit sales of facial-recognition technology to governments and link executive pay to [company performance](#) on diversity and sustainability, among other things.

Other shareholders, including a group of Amazon employees pushing the company on climate change, submitted five more proposals.

A back-and-forth process between the company and the activist shareholders, mediated by the Securities and Exchange Commission, determines how many of the resolutions will actually come up for a vote at Amazon's annual meeting this spring. Amazon has challenged at least eight of the resolutions, as many companies do. Although votes on shareholder resolutions are typically nonbinding, they do bring attention to issues and put a company's ownership on the record.

The pinnacle of capitalism

The number and breadth of Amazon shareholder proposals underscores the company's growing size and impact as its multifaceted businesses reach further into many aspects of modern life. Exxon and Chevron still get plenty of attention, receiving eight and nine resolutions backed by the Interfaith Center on Corporate Responsibility this year, respectively. But Amazon's position at the top of modern consumer- and internet-driven capitalism make it a proxy for the larger debate—embodied in the proposals—about the purpose and responsibilities of a corporation in

the 21st century.

"Given the sheer size of companies like Amazon and others with leadership positions and far-reaching supply chains, it is critical these companies use their influence to inspire improved performance that will benefit both the environment and communities," said Josh Zinner, CEO of the ICCR, which began in 1971 with a campaign led by religious groups to encourage companies to divest from South Africa in protest of apartheid.

The strategy targeting Amazon began at a meeting last spring in New York City after coalition members shared their frustrations in attempting to engage with Amazon's leaders on the environmental, social and corporate governance issues they champion. The coalition sees a vote on a shareholder resolution at a company's annual meeting as a "last resort" when its private discussions with a company have failed to convince leaders of the wisdom and long-term value of their ideas.

"We came to realize that nobody was receiving substantive interactions with the company," said Bruce Herbert, CEO of Seattle-based investment firm Newground Social Investment and a longtime coalition member and past board member.

Proponents of many of the proposals had 30-minute meetings or phone calls with Amazon representatives in January, though some received no response at all, Herbert said. The meetings often were with people who didn't seem to have authority to make changes and could provide little information beyond previous company statements.

While there are strict limits on what public companies can disclose privately, Herbert said they don't include topics such as "how you evaluate sustainability in a supply chain or what you're doing to try to keep hate-related items from showing up on your website. You can talk

about that stuff."

Herbert said many other public companies take more time to engage with shareholders bringing forward ideas for improvement, collaborating with activist shareholders and using the resources and expertise they often bring to discussions, he said.

Twenty years ago, for instance, Walmart was similarly targeted by activist investors, and over time the company became receptive to conversations with shareholders. Now Walmart holds a daylong meeting each year between the members of the Interfaith Center on Corporate Responsibility and top management, including the CEO, in Bentonville, Arkansas, and conducts multiple conference calls with them on a range of environmental, social and governance issues, according to the Rev. David Schilling, an interfaith coalition senior program director who has co-led the organization's work with the company.

"It's very substantive engagement," Herbert said.

Stepped up efforts

Amazon declined to comment on the number of proposals it received or its interactions with the shareholders submitting them.

A spokesperson said the company follows a code of conduct that governs how it runs its business and the use of its products, and pointed to Amazon's various efforts to improve workplace diversity, reduce hunger and homelessness, and prepare young people from underrepresented communities for computer science careers.

Even as the organized strategy of the Interfaith Center on Corporate Responsibility takes shape, there are a handful of signs at Amazon so far in 2019 of an opening, and stepped-up efforts in areas including climate

change, sustainability and social responsibility.

Amazon employee-shareholders who submitted a proposal in December related to climate change welcomed a recent company announcement setting a goal of "net zero" carbon emissions from half of Amazon shipments by 2030.

"It's certainly encouraging to see them take this step," said Weston Fribley, an Amazon software engineer who joined in filing the resolution, which calls for a public report on how Amazon plans to handle disruptions from climate change and how the company is cutting its dependence on fossil fuels. "That's something that I think is incredibly important to the long-term value of the company," he added.

In announcing the "Shipment Zero" program, Dave Clark, Amazon senior vice president of worldwide operations, said the company plans to share its "companywide carbon footprint, along with related goals and programs, later this year." He said in a blog post that the company has spent the last two years developing "an advanced scientific model" of its carbon footprint and is providing its business teams with ways to reduce their carbon use. Existing efforts include purchasing and producing renewable energy to power its facilities, improving efficiency and reducing waste, particularly in packaging for shipment.

The employee-shareholders have not withdrawn their proposal, Fribley said, nor has Amazon challenged it. They await the Amazon board of directors' recommendation to shareholders on the resolution, which will appear in the company's proxy filing expected next month.

The composition of Amazon's board itself is also changing.

Amazon's newest directors are former PepsiCo chairman and CEO Indra Nooyi and Starbucks Chief Operating Officer Rosalind Brewer, bringing

the number of women on the 11-person board to five.

Nooyi appears on the cover of the latest issue of *Directors & Boards* magazine urging corporate leaders to balance profit and purpose.

She quotes economist Milton Friedman, the ardent advocate for the corporation as profit-maximizer above all else, a view that has long held sway in corporate America. Friedman, Nooyi notes, wrote in 1970 that the idea of a business with a "'social conscience' is tantamount to 'pure and unadulterated socialism.'"

That view is incomplete and inadequate for the modern world, Nooyi writes, arguing that companies must "work toward making a profit in a way that also makes a difference."

"Because the fact is, in 2019, the line between business and society is increasingly blurry," Nooyi writes. "With the rise of digital savvy nongovernmental organizations, every perceived infraction, anywhere in the supply chain, can become a major business issue."

In mid-February, Amazon posted a handful of job listings that suggest it is scaling up its social-responsibility efforts, particularly in relation to the rights of workers in its supply chain.

The company already has a detailed supplier code of conduct. While Amazon is hiring in many areas as it continues its rapid growth, one post, for a social responsibility program manager, lists job responsibilities including "evaluating and implementing major changes to Amazon's (social responsibility) standards and scorecard, as we ingest new data sources (industry association audits, worker surveys) to better detect risks in Amazon's growing supply chain."

Looking at the long term

The shareholders affiliated with the interfaith coalition are a specific kind of corporate critic, working within the system to make improvements to company and industry operations and practices. These activist investors believe companies that operate with high regard for their employees, communities and the environment reduce their risks and provide a better long-term financial return for shareholders.

That long-term view, however, often comes in conflict with the decisions of managers looking ahead to the next quarterly earnings report and the constant need to beat Wall Street profit expectations.

Amazon founder and CEO Jeff Bezos also espouses a long-term view, and has shown a willingness to operate the [company](#) on slim profit margins in order to invest in new opportunities years down the road.

His vaunted leadership principles center on customers, ownership, learning, judgment and innovation, but make no mention of the broader societal values sought by the likes of the Interfaith Center on Corporate Responsibility members.

Herbert, the investment firm CEO and coalition member, compared shareholder attention to Amazon and other big companies to changing the course of an ocean liner.

"One bump isn't going to do it. You have to have consistent applied pressure to gradually change," he said. "But because (the companies are) so big, that change of trajectory leads to immensely better outcomes."

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