

Amazon Case Study: Collaborating Towards Excellence

Amazon's evolution as a company has been a compelling tale of business growth. Across categories, it has transformed the world of e-commerce, cloud computing, digital streaming, and even grocery shopping. From a financial perspective, its growth has been strong. Yet from an environmental, social and governance (ESG) perspective, this growth has led to challenges related to working conditions and impacts on the environment.

ROCKEFELLER ASSET MANAGEMENT PHILOSOPHY

At Rockefeller Asset Management, we believe that rigorous, ESG-integrated analysis coupled with deep shareholder engagement can deliver strong long-term results for our clients. We also believe that companies working to improve their ESG performance will see stronger financial performance over time. Shareholder engagement is a core part of our investment process - evaluated before purchasing a stock and employed throughout the holding period. Our engagement approach strengthens our investment process by identifying material ESG issues and constructively engaging with companies to create long-term shareholder value and catalyze positive ESG improvement. We are particularly interested in



Source: <https://press.aboutamazon.com/images-videos>

companies that have the potential to become future ESG leaders, which we prioritize for meaningful engagement. We believe Amazon is one of these companies.

CONSTRUCTIVE DIALOGUE WITH AMAZON

ESG risks and opportunities have been a focus with Amazon, partly because of its size and the environmental footprint of its business model. Starting in 2016, Rockefeller's ESG team began asking Amazon for greater disclosure about human capital during investor calls. In June of 2019, our ESG analysts sat down with Amazon leadership to discuss key ESG risks and opportunities we see as material to the company and actions that could position Amazon as a leader in each area. Core among them were its environmental footprint (including both GHG emissions and concerns related to packaging), governance issues such as compensation alignment, and labor management.

From an ESG perspective, investors have been concerned with Amazon's track record of labor controversies in distribution and fulfillment centers. Accounts of unsavory working conditions have appeared in the Wall Street Journal, Time Magazine, The Atlantic, and many other widely read sources¹. In July of 2018 and 2019, workers in fulfillment center

¹ <https://www.washingtonpost.com/business/2019/07/15/amazon-workers-minnesota-prime-day-means-protest/> <https://time.com/5629233/amazon-warehouse-employee-treatment-robots/>

<https://www.theatlantic.com/technology/archive/2019/11/amazon-warehouse-reports-show-worker-injuries/602530/>

organized strikes on Amazon Prime day. Hundreds of workers in Minnesota, Germany and Spain refused to work, citing issues such as heavy workloads and lack of bathroom breaks, negatively impacting worker health and safety. The incidents raised concern about future labor related risks. After our ESG team sought further information about the handling of labor challenges, Amazon led us on site evaluations of a fulfillment center in New Jersey. The visit was followed by a private meeting with the plant manager. In January, Amazon and Rockefeller jointly led a group of 17 people from European institutional asset allocators on a 2.5-hour fulfillment center visit in Madrid. At the end of each site visit, the ESG analysts sat down with facility managers to discuss their observations and share recommendations for how management and communication of ESG matters could be strengthened. For example, the team sought clarification on things like how the accident rate is tracked and recommended the accident rate be included as a performance metric in compensation structures.

Across the two locations, Rockefeller's ESG team asked many of the same questions to look for consistency of answers across the enterprise. The visits were an opportunity for Amazon to share some of the meaningful steps forward they have taken toward achieving the Climate Pledge as well as measures designed to reduce workplace injuries and improve the working environment and provide worker education opportunities to staff.

THE CASE FOR ESG IMPROVEMENT

In the last year and a half, Amazon has made progress on many of these issues. In October of 2018, Amazon increased the minimum wage for all employees to \$15 per hour. In September 2019, it co-founded an ambitious Climate Pledge initiative through which it committed to achieve 100% renewable energy by 2030

"We consider Rockefeller Asset Management to be one of our ESG influencers."

- Michael Deal,
Amazon

and carbon neutrality by 2040, ten years ahead of the Paris Agreement. At the same time, it launched a sustainability website that increases environmental disclosure, including around its efforts to become carbon neutral. It also released a map of its suppliers which increases transparency into its supply chain.

A "MUTUALLY BENEFICIAL" RELATIONSHIP

At Rockefeller, our approach is to develop a two-way, constructive dialogue. We seek to understand how companies are managing ESG risks and opportunities, while supporting them in their journey to improve. "We

consider Rockefeller Asset Management to be one of our ESG influencers," said Michael Deal, Amazon Associate General Counsel, "the dialogue has been mutually beneficial."

NEXT STEPS

CATALYZING FASTER ESG IMPROVEMENT

Looking forward, we intend to continue engaging with Amazon to help create shareholder value and catalyze positive change. While we are pleased with

many of the steps taken thus far, particularly with respect to climate change, we jointly recognize that there is still room for improvement. In the short term, our primary focus will be on working conditions. We believe Amazon can further strengthen labor practices and policies and reduce the risk of injuries and strikes. The emergence of the COVID-19 virus has made labor management even more important. The health and safety of workers in fulfillment centers and making deliveries is critical in a context in which their work enables people to stay home. We understand that Amazon's pace of growth and focus on strong customer service can be a challenge for operations. Yet we also believe that Amazon can continue transforming established industries while protecting human health and the environment, and that doing so will likely strengthen their overall financial performance.

SUSTAINABLE DEVELOPMENT GOALS



Goal 8: Decent Work & Economic Growth
Engagement Target: Disclose EHS incident rate compared to industry and employ best-in-class employee grievance procedures



Goal 13: Climate Action
Engagement Target: Improve Climate Change Metrics



Goal 12: Responsible Consumption & Production
Engagement Target: Reduce waste from packaging



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