

UNEQUAL VOTING AT AMAZON

WHEREAS: Many American corporations employ a poor governance practice that gives boards unwarranted power to disregard investor concerns. This practice – known as “Formula Swapping” – has caused more than 100 shareholder proposals that earned a winning 50%-or-greater Simple Majority vote to instead be regarded as “failing”. The key is how ABSTAIN votes are treated.

For example: a **Plum Creek Timber** proposal on political spending garnered a Simple Majority vote of 56.2 percent. However, the company’s use of *Formula Swapping* dropped the vote by 22 percent, and changed the outcome to a “failing” 34.2 percent.

Using *Formula Swapping*, Amazon packs ABSTAIN votes into the formula against shareholder proposals. Ignoring voter intent, *Formula Swapping* mathematically converts every abstention into an AGAINST vote, reducing the percentage cast in favor. These distorted figures are then reported by the press, and often become enshrined in company SEC filings.

Amazon engages in this kind of *Formula Swapping*, using a favorable Simple Majority vote-counting formula for board elections, but a more repressive formula to count votes on shareholder proposals. The inconsistent treatment of these management proposals versus shareholder proposals disproportionately benefits management’s board vote while depressing the tally on shareholder items. This constitutes poor governance – *Formula Swapping* puts stockholders at a disadvantage, and reflects the faulty logic that a Company can judge voter intent.

How did this come to be? Under Rule 14a-8, the SEC mandates use of a fair Simple Majority standard (FOR divided by FOR + AGAINST) to determine a proposal’s resubmission eligibility – abstentions are barred from this SEC formula. Other than this, State law typically governs and the SEC cannot direct how companies count votes.

Historically, competition for corporate registrations resulted in a “race to the bottom” in which states permitted companies to adopt confusing, inconsistent, and discriminatory voting practices – practices that continue to disadvantage shareholders to this day.

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

Accordingly, please vote FOR this common sense proposal that counters the systemic disadvantaging of stockholders – and instead seeks a level playing field where Amazon does not count its board proposal more leniently than shareholder proposals.

RESOLVED: Shareholders ask the Board of Amazon.com, Inc. to take steps to amend Company governing documents to provide that all non-binding matters presented by shareholders shall be decided by a simple majority of the votes cast FOR and AGAINST an item. This policy would apply to all such matters unless shareholders have approved higher thresholds, or applicable laws or stock exchange regulations dictate otherwise.

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