

Vanguard Investment Stewardship Insights

Voting insights: Shareholder proposal related to diversity, equity, and inclusion at Amazon



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Vanguard publishes Investment Stewardship Insights to promote good governance practices and to provide investors and public companies with our perspectives on important governance topics and issues that come up for shareholder votes.

Company: Amazon.com, Inc. (Amazon)

Meeting date: May 26, 2021

Proposal: Item 9 (shareholder proposal)—Oversee and Report on a Civil Rights, Equity, Diversity and Inclusion Audit



How the funds voted

Third-party racial equity and civil rights audit proposals are gaining prominence on U.S. public company proxy voting ballots in 2021. Shareholder proponents filing these proposals request that companies conduct a third-party audit of potential risks related to diversity, equity, and inclusion (DEI), to provide an independent assessment of any direct or indirect impacts a company may have on communities of color and publicly disclose the results.

At the annual meeting for Amazon, a U.S. multinational e-commerce company, the Vanguard funds did not support a shareholder proposal requesting that the company conduct a third-party audit on its civil rights, equity, diversity, and inclusion impacts and publicly report the results.

Vanguard's principles and policies

Boards are responsible for overseeing a company's long-term strategy and financially material risks. On behalf of the Vanguard funds, our Investment Stewardship team regularly assesses portfolio company boards' understanding of their company's strategy and the board's own role in identifying, mitigating, and disclosing risks, including DEI-related risks.

Vanguard evaluates all shareholder proposals case by case. For proposals that request an audit, we first look for whether the proposal addresses a gap in the company's existing practices or disclosures regarding financially material risks; we then assess whether closing that gap is best addressed by an audit.

Analysis and voting rationale

Vanguard has a long engagement history with Amazon board directors and company leaders. Over the years, we have discussed matters such as climate change and human rights and have provided feedback on the board's corporate governance practices. Amazon received several shareholder proposals on its 2021 proxy voting ballot, but our discussion with company executives, including the lead independent director, mainly focused on the proposal requesting that the company conduct a racial equity audit.

During our engagement, the Amazon team described the attention the board places on its workforce DEI and human capital management matters. The board recently conducted an independent third-party human rights assessment to help identify areas of oversight improvement, and it plans to disclose the results. We were encouraged to learn that the assessment included a focus on racial and ethnic minorities and was designed to address human rights risks across Amazon's workforce, business activities, and business suppliers. Our analysis also included an engagement with the shareholder proponent. The proponent explained their belief that an audit would enable the board and management to better address and improve the company's civil rights, equity, and diversity culture.

In our assessment, Amazon provides robust disclosure on material DEI risks, including its workforce diversity and global pay disparity data. We determined that its board has proactively identified workforce DEI and human capital management as important matters to the company. The board's actions demonstrate that it is taking appropriate steps to enhance its strategy and risk oversight in these areas and improve Amazon's workforce culture. We believe that Amazon's recent human rights assessment—evaluating the company's impact on civil rights, diversity, equity, and inclusion and the impact of its business—along with its intent to disclose the results appropriately addressed any gaps in its practices or disclosures suggested by the shareholder proposal. The Vanguard funds therefore did not support the proposal.

What we expect from companies on this matter

We believe that clear, decision-useful disclosure of material risks can encourage sound governance practices and help investors and companies make better decisions.

Where DEI-related risks are financially material to a company, it is important that companies and their board continue to take proactive steps to mitigate these risks and provide greater disclosure to investors. If a board's existing oversight processes or disclosures suggest a failure to sufficiently oversee DEI risks, the Vanguard funds may support a racial equity audit shareholder proposal or other actions.