Proxy Alert

ALPHABET INC.
(NASDAQ: GOOG/GOOGL)

Meeting Date: June 19, 2019

Alphabet Inc. Shareholder Resolution

Resolution 11: Stockholder proposal regarding the nomination of an employee representative director

Note: Alphabet Inc. is the parent company of Google. Google generated 99.6% of Alphabet's revenue in 2018.

Resolution filer: Change to Win (CtW) Investment Group

The resolution:

THAT shareholders of Alphabet Inc. ("Alphabet" or "the Company") request that the Board nominate an Employee Representative Director for election to the Board by shareholders at Alphabet's 2020 annual meeting of shareholders.

The Employee Representative Director shall be a current non-executive Alphabet employee who consents to serve on the Board. Current employees shall be given the opportunity to suggest persons to serve as the Employee Representative Director to the Nominating and Corporate Governance Committee, which will recommend a candidate for nomination by the full Board. If the Employee Representative Director ceases to be a non-executive employee of Alphabet during his or her term, the Board should appoint a replacement who satisfies the criteria set forth above.

Read resolution and supporting statement here.

Why it matters to investors

Google itself has identified its employees as its most valuable asset. Yet the company is experiencing substantial employee unrest and reputational damage. Over the last few years, Google employees have expressed outrage over a range of ethical issues, including artificial intelligence projects, sexual harassment policies, gender pay inequity, a censored search engine project, unequal treatment of independent contractors, workforce diversity, and retaliation against employees who speak out. In response, employees have organized petitions, open-letters, protest resignations, a salary self-disclosure initiative, a global walk-out, and a subsequent sit-in after Alphabet's failed response to the walk-out.

This turmoil has resulted in reputational damage that may hinder its ability to attract, hire, and retain employees at a time when competition for tech talent is high.

This year's employee satisfaction survey saw an 18% decrease in employees' confidence in the management team at Google. The company faces class action lawsuits brought by its current and former employees alleging that Google management allowed or participated in harassment and discrimination. A recent report by Payscale states that Google employees' average tenure is only 1.1 years, compared to Microsoft, whose employees stay for an average of 4 years.

Prepared by the Change to Win Investment Group with input from the CWC

Why an employee representative director would address these issues

An Employee Director would enhance board accountability and improve governance, potentially contributing to the resolution of a cultural crisis that is reflected in employee dissatisfaction. It would improve the ability of the board to provide informed oversight of the company's "human capital management" practices.

There are many models of worker participation on boards in a range of jurisdictions. An extensive review of research conducted by the Trades Union Congress (UK) in 2016 documented how worker directors at the highest level of a company have contributed to more balanced and broadly based corporate strategies across Europe. The benefits workers bring to the table include a specialized understanding of company operations, diverse perspectives and a means of accounting for labour conditions that may increase productivity.

Strengthening workforce engagement was the reason behind the UK Financial Reporting Council's inclusion of a director appointed by employees in the revised UK Corporate Governance Code, published last year after extensive consultation. The Local Authority Pension Fund Forum recently surveyed FTSE All-Share companies about the new code and found that 44% of respondents said these changes would have a positive effect on their company.

Alphabet's dual class share structure contributes to a corporate governance context marked by limited shareholder democracy. The company's weighted voting structure silences Alphabet's non-insider shareholders. When combined with a highly entrenched board, shareholders have few opportunities to diversify the Board's perspective on critical matters. Adding a non-executive employee director would address some of the independence concerns facing Alphabet's Board.

Why we encourage a VOTE FOR this resolution

The shareholder resolution:

- Does not strip shareholders of their right to vote for any director nominee;
- Adds an on-the-ground perspective to the Board, critical to mitigating the current cultural crisis at Google;
- Helps to rebuild employee confidence in Alphabet's leadership, an imperative given its heavy reliance on intellectual capital for its growth;
- Restores a voice in the boardroom for a very important shareholder group: Alphabet employees (nonvoting Class C shares are a component of employee compensation); and
- Strengthens the independent directors' counterbalance to Alphabet's executive-heavy Board.

For more information

See CtW Investment Group's
letter to shareholders

Key media reports and resources

Financial Times: Alphabet faces call by pension groups for workers to join board

Fortune: Inside Google's Civil War

Wired: The dirty war over diversity inside Google

The CWC: Did asset managers walk the workers' rights talk in their submissions to the UK Corporate Governance Code review?

Roosevelt Institute: Why Workers On Corporate Boards Just Makes Sense

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