May 11, 2022

At the Alphabet (NASDAQ: GOOGL) Annual Meeting on June 1st, please vote FOR Proposal 20 requesting the inclusion of a non-management employee in the initial list from which new director nominees are chosen by the Nominations and Corporate Governance Committee.

Dear Alphabet Shareholders,

We urge you to support Proposal 20 requesting that the Board include a non-executive employee in the initial list from which new director nominees are chosen. This proposal intends to address one of the most pressing challenges facing Alphabet: the increasing divide between senior management's drive to increase revenue and the employee's desire to ensure that their work at Alphabet aligns with their values and ethical commitments. Employee representation on the board of directors is a time-tested and effective mechanism that promotes increased alignment between management and the workforce by ensuring that the employees' perspective is heard at the highest levels of the company. Moreover, absent such representation, the existing governance structure at Alphabet has proven unable to create or preserve a corporate culture in which talented people feel that they can participate in good conscience. That failure poses a serious ongoing challenge to Alphabet, given the specialized human capital its employees have accumulated over time, on which the company depends but whose participation it cannot compel.

Specifically:

- Analogous to shareholding, most benefits of the employment relationship accrue in the future (i.e. future employment), are subject to risk that cannot be diversified away, enjoy little contractual protection, and lack numerous outside options. Consequently, the mechanism by which companies obtain the participation of risk-taking financial capital that they need but cannot compel — granting governance rights to shareholders — should logically apply to obtaining the participation of risk-taking human capital companies need but cannot compel.

- Employee-directors have been in place at many global companies for decades, including at least nine of the ten largest European companies by revenue, and eight of the ten largest by market capitalization in 2021. The Security and Exchange Commission's (SEC) standing regulation concerning the independence of European employee-directors recognizes that such directors are independent for the purposes of board oversight of senior management and corporate strategy.

- Alphabet's unbalanced governance — with founders Larry Page and Sergey Brin controlling a majority of the vote based on possession of only 6.7% of the capital stock, while employees holding 47.8% of common stock have 0% of the vote — exacerbates the misalignment of values between senior management and the workforce, resulting in high-profile separations that carry reputational as well as operational risk.

The SOC Investment Group works with pension funds sponsored by unions affiliated with the Strategic Organizing Center, a coalition of unions representing millions of members, to enhance long term shareholder value through active ownership. These funds have over $250 billion in assets under management and are also substantial Alphabet shareholders.

The Overlapping Arguments for Shareholder and Employee Board Representation

Many U.S. shareholders have an instinctively negative reaction to the idea of employee board representation and look to economic theory to justify the differing treatment of these stakeholders. Nobel laureate Oliver Hart and co-author Luigi Zingales have recently articulated the argument that shareholders occupy a unique position that justifies their exclusive board representation:

> The argument for this is standard. Shareholders, as residual income claimants, are the most vulnerable of the constituencies with which a company deals, and so they are allocated votes … Whereas other groups — consumers, workers, creditors —are protected, at least partially, by contracts and/or have reasonable exit options (consumers or workers can quit), shareholders have weak if any contractual protection and can exit only by selling shares at the market price … .[1]

It is noteworthy that, point for point, this justification for exclusive shareholder governance in fact illustrates the considerable overlap between the situation of shareholders and employees. Like shareholders, the value received by employees is primarily "residual" in that unless other costs are met, the potential benefit will not be realized. For shareholders, this residual value takes the form of potential dividends and capital gains, while for employees it takes the form of potential future employment and pay. Like shareholders, employees in the U.S. enjoy very little contractual protection, as almost all U.S. workers are employed "at will" and can be terminated without the employer incurring any severance cost. Indeed, the spread of inequitable employment practices such as mandatory arbitration, post-employment non-compete provisions, and non-disclosure provisions applied to discrimination and harassment settlements, all of which are typically imposed as a condition of employment rather than freely negotiated between equals, reinforce employees' lack of contractual protections. Finally, and in contradiction to Hart's and Zingales' assertion, employees typically face much less numerous and attractive exit options (i.e., comparable jobs in their occupation) than U.S. shareholders, who after all are participating in one of the most liquid financial markets in the world.[2]

The extensive overlaps between the situation shareholders and employees face vis-a-vis the company make clear the logic of employee board representation. Companies need owners of financial capital to be willing to hold their shares in order to continue as a going concern, just as they need owners of human capital to be willing to hold their jobs in order to continue operating, but in neither case can such willingness be compelled. Instead, participation must be enticed, and just as governance rights — including board representation — form a central part of the enticement offered to shareholders, it should also form part of the enticement offered to employees. Indeed, the overlapping logic of shareholder and employee representation has already resulted in mandatory employee board representation in numerous global markets.

Employee Board Representation Is Globally Commonplace

Since Germany initially required large companies to include employees on their supervisory boards in its current form in 1951, many other countries have followed suit, and Germany itself has expanded the

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[1] Oliver Hart and Luigi Zingales, "The New Corporate Governance" Stigler Center for the Study of the Economy and the State, New Working Paper Series No. 317, April 2022.

[2] Gregor Schubert, Anna Stansbury, and Bledi Taska, "Employer Concentration and Outside Options" January 18, 2021.

scope and degree of employee board representation.[3] At least twelve countries in addition to Germany require some level of board representation for all companies above a certain size, including Austria, Denmark, Finland, France, Hungary, Luxembourg, the Netherlands, Norway, Poland, the Slovak Republic, Slovenia, and Sweden. At least another seven countries require employee representation on the board of state-owned or formerly-state-owned enterprises, including Chile, the Czech Republic, Greece, Ireland, Israel, Portugal, and Spain.[4] Companies headquartered in these countries comprise a very large share of the European and global public equity markets: Eight of the top ten companies by market capitalization trading on Euronext, and nine of the top ten European companies by revenue have employees on their Board of Directors or Supervisory Board.[5] In other words, any shareholder with exposure to global public equity likely already enjoys the benefits of employee board representation, even without realizing it.

The SEC recognizes European Employee-Directors as Independent

Moreover, the arguments Alphabet and other commentators mobilize against employee board representation are readily refuted. While Alphabet suggests that an employee director would be non-independent and would pose conflicts of interest, since 2003 the SEC has made it clear that such employee directors should be classified as "independent," going so far as to say that "having such employees serve on the board … can provide an independent check on management, which itself is one of the purposes of the independence requirements[…]."[6] We agree with the SEC's assessment, and believe that the current Alphabet board stands in need of just such an independent check on both current management and the former managers who dominate the shareholder vote.

Alphabet's Unbalanced Governance Jeopardizes its "Most Valuable Asset"

Alphabet has long touted its employees as its most indispensable asset: In their first letter to shareholders after going public, founders Larry Page and Sergey Brin asserted "Our employees … are everything. Google is organized around the ability to attract and leverage the talent of exceptional technologists and businesspeople." Since then, Alphabet's annual reports have routinely asserted that "Our people are critical to our continued success." Nevertheless, as attested to by a steady stream of reporting, high-profile protests, and prominent dismissals of highly credentialed employees, Alphabet has been experiencing a growing misalignment between the strategy preferred by senior management and incumbent directors, and the values and ethical commitments of its employees.

This misalignment first became evident in 2018, when thousands of Alphabet employees signed petitions opposing the Company's involvement in censorship ("Project Dragonfly") and in developing military technology ("Project Maven").[7] Moreover, approximately 20,000 employees and contractors staged a walkout to protest how the Company handles sexual harassment and discrimination. The

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[3] Aline Conchon, "Employee Board Level Representation in Europe: Facts and Trends" European Trade Union Institute, Report 121, 2011, pg. 10.

[4] OECD, "Board Level Employee Representation," pgs. 1-3, 2017. https://www.oecd.org/employment/emp/Board-level%20employee%20representation.pdf

[5] https://www.statista.com/statistics/973337/largest-european-based-revenue/; https://www.statista.com/statistics/546298/euronext-market-capitalization-leading-companies/

[6] Final Rule, Standards Relating to Listed Company Audit Committee, 17 CFR Parts 228, 229, 240, 249, and 274, Section 3.a.i (Employee Representation), RIN 3235-AI755, https://www.sec.gov/rules/final/33-8220.htm.

[7] https://www.buzzfeednews.com/article/carolineodonovan/google-dragonfly-maven-employee-protest-demands

protest was triggered by the revelation that Alphabet had paid millions of dollars to three male executives despite credible accusations of sexual misconduct.[8] In 2019, Alphabet workers protested the company's continued work with immigration agencies responsible for detaining children, against anti-LBGTQ+ content on YouTube, and for fair treatment of contract workers. In 2020, following nation-wide protests against racism and police violence, over 1,000 Alphabet workers petitioned the company to cease working with police departments facing racial bias lawsuits.[9] And over the last two years, after Alphabet terminated some participants in these actions, the National Labor Relations Board charged the Company with multiple Unfair Labor Practices,[10] while Alphabet has been caught up in controversy over its termination of at least three senior leaders of its artificial intelligence work who had expressed skepticism over the effects the Company's approach to AI could have on inequality and social justice[11].

That this misalignment continues to grow is evidenced by the results of the most recent employee satisfaction survey ("Googlegeist"), which shows increasing frustration with pay, promotion, and the executive team's ability to execute on its commitments. According to reports on the survey's results, only 46% of employees reported that their pay is comparable to similar positions at other companies, down 12% from a year earlier, while 56% said their pay is "fair and equitable," down 8%. Belief in the fairness of promotion decisions at Google Cloud also dropped by two percentage points over the last year, to 54%. Overall, views of the Company's ability to execute dropped 7% over the past year.[12]

Such a large and growing misalignment seems unsurprising given the unbalanced governance structure Alphabet maintains. Despite holding 47.8% of shares outstanding, Alphabet employees receiving equity compensation get Class C shares that carry no voting rights. In contrast, founders Page and Brin control over 51% of the vote at shareholder meetings, despite holding only 6.7% of shares.[13] The fastest and simplest way to address this imbalance is to create a mechanism to provide employee representation on the Board of Directors, as Proposal 20 does.

A Modest Proposal

The implementation of Proposal 20 would introduce a modest change in Alphabet's governance practices by requiring the Nominations and Corporate Governance Committee to include a non-executive employee in its initial list of candidates from which it selects new director nominees. The Proposal leaves in place the Committee's existing processes for vetting individual candidates, and it in no way affects the existing director election process; all Alphabet directors, including an employee representative director, would still be elected by shareholders. But the evidence strongly suggests that by making this change, Alphabet shareholders can help to realign culture and values across the

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[8] https://www.prinz-lawfirm.com/our-blog/2018/november/the-walkout-for-real-change-google-employees-tak/#:~:text=Contact%20Us-,The%20Walkout%20for%20Real%20Change%3A%20Google%20Employees%20Take%20a,toward%20Solidarity%20and%20Shared%20Control&text=Over%2020%2C000%20employees%20in%20an,management%20of%20workplace%20harassment%20claims.

[9] https://www.cnbc.com/2020/06/22/google-employees-petition-company-to-cancel-police-contracts.html

[10] https://www.cbsnews.com/sanfrancisco/news/google-nlrb-case-company-ordered-to-turn-over-documents-anti-union-efforts/

[11] https://www.nytimes.com/2022/05/02/technology/google-fires-ai-researchers.html

[12] https://www.cnbc.com/2022/03/14/google-employees-growing-unhappy-with-pay-and-promotions-survey-shows.html

[13] Alphabet Inc. Proxy Statement filed on Form DEF14A with the SEC on April 22, 2022, pg. 38.

Company and ensure sustainable value creation going forward. **We urge you to vote FOR Proposal 20 at Alphabet's annual meeting on June 1, 2022.**

Sincerely,

Dieter Waizenegger
Executive Director