



October 21, 2020

Mr. Ronald Sugar, Chairman of the Board
Uber Technologies, Inc.
1455 Market Street, 4th Floor
San Francisco, California 94103

Dear Mr. Sugar:

The simultaneous, devastating public health and economic impacts of the COVID-19 pandemic and the state of race relations in our country have heightened already growing risks to long-term value creation related to workforce compensation, diversity, equity and inclusion, as well as talent attraction and retention. In our view, more robust board oversight at Uber is needed to address both the opportunities and the regulatory and reputational risks to the company associated with these human capital management issues. In your capacity as Chairman of the Board of Uber, we request that you:

- amend an appropriate Board committee's charter to formalize human capital management oversight as a key responsibility; and
- make yourself available to review the questions we raise below before November 13th.

Current environment raises urgency of robust board oversight of human capital management

Research proves the connection between investment in human capital management practices and higher total shareholder return, return on assets, return on capital, profitability and overall firm performance against benchmarks. Conversely, poor management of human capital can lead to material risks to the firm and shareholder value. McKinsey released a study¹ in May of this year showing that companies in the top quartile for ethnic diversity on executive teams outperformed those in the bottom quartile by 36 percent in profitability.

Our interest in discussing the Board's duties with respect to human capital is made more urgent by the COVID-19 pandemic, deep economic recession and social uprising related to the racial justice movement, which have brought workforce composition and compensation issues to the forefront of investor and public concerns. Latin and African-American residents of the U.S. have been three times as likely to become infected with COVID-19 as white residents.² Additionally, people of color have lost work at greater rates than white workers,³ and unemployment among women has been four percentage

¹ McKinsey & Company, *Diversity Wins, How Inclusion Matters*, May 2020, <https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Diversity%20and%20Inclusion/Diversity%20wins%20How%20inclusion%20matters/Diversity-wins-How-inclusion-matters-vF.pdf>.

² Richard A. Opiel Jr., Robert Gebeloff, K.K. Rebecca Lai, Will Wright and Mitch Smith, *The Fullest Look Yet at the Racial Inequity of Coronavirus*, N.Y. Times, Jul. 5, 2020, <https://www.nytimes.com/interactive/2020/07/05/us/coronavirus-latinos-african-americans-cdc-data.html>.

³ See Kurtzleben, Danielle, *Job Losses Higher Among People Of Color During Coronavirus Pandemic*, NPR.org, Apr. 22, 2020, <https://www.npr.org/2020/04/22/840276956/minorities-often-work-these-jobs-they-were-among-first-to-go-in-coronavirus-layo>; Couch, Kenneth A., *The Impacts Of Covid-19 On Minority Unemployment: First Evidence From April 2020 CPS Microdata*, Stanford Institute for Economic Policy Research (SIEPR), May 2020, <https://siepr.stanford.edu/sites/default/files/publications/20-021.pdf>.



points higher than that of men.⁴ Workers have engaged in sick-outs to demand increased hazard pay, paid sick leave and safe working conditions. As long-term investors, we are concerned about legal and reputational harm as well as the potential loss of investments in workers' skills and workforce diversity, which add to the bottom line.

Uber's human capital management practices pose substantial regulatory, legal, and financial risk

Uber's policies concerning its drivers and delivery persons have prompted regulatory and legal backlash in global markets, exposing the company to increased financial risk. In the U.S., Uber has paid \$20 million to settle class action lawsuits related to wage and hour laws. New Jersey has assessed the company \$650 million in unemployment and disability insurance taxes and fines, determining Uber misclassified drivers as independent contractors rather than employees. A lawsuit on driver misclassification has been filed in Massachusetts, alleging violations of state wage and hour laws. California courts have upheld a state law classifying drivers as statutory employees, estimated by Barclays analysts to increase Uber's labor costs by \$500 million annually⁵, a financial impact significant enough to have led Uber to contribute \$30 million towards a campaign to have the law overturned in the upcoming election. Minimum wage laws for Uber drivers enacted in New York City and Seattle have also increased operating costs. A case at the U.K. Supreme Court could lead to higher labor costs in the key London market. Canada's highest court has acted to allow a potential \$440 million class action suit related to driver classification to proceed.

Uber's human capital controversies jeopardize its consumer and employment brand

Uber has a history of human capital management-related scandals and controversies that have negatively impacted its reputation and brand value. A toxic culture of sexual harassment and retaliation prompted a federal investigation that led to independent monitoring over Uber's workplace culture and the establishment of a victims' compensation fund. A decision by Uber to continue its service during a taxi worker strike protesting President Trump's refugee ban in 2017 caused a #DeleteUber social media campaign producing a 5 percent drop in Uber's market share in a single week. Poor human capital management decisions are a risk to talent attraction and retention, and to the public trust that drives brand value and customer use.

⁴ Tomaz Cajner, Leland D. Crane, Ryan A. Decker, John Grigsby, Adrian Hamins-Puertolas, Erik Hurst, Christopher Kurz, and Ahu Yildirmaz, *The U.S. Labor Market During the Beginning of the Pandemic Recession*, Working Paper No. 2020-58, Brookings Papers on Economic Activity (2020) (https://bfi.uchicago.edu/wp-content/uploads/HurstBFI_WP_202058_Revision.pdf); Anu Madgavkar, Olivia White, Mekala Krishnan, Deepa Mahajan, and Xavier Azcue, *COVID-19 and gender equality: Countering the regressive effects*, McKinsey Global Institute, July 2020, <https://www.mckinsey.com/~media/McKinsey/Industries/Public%20and%20Social%20Sector/Our%20Insights/Future%20of%20Organizations/COVID%2019%20and%20gender%20equality%20Countering%20the%20regressive%20effects/COVID-19-and-gender-equality-Countering-the-regressive-effects-vF.pdf>; Rakesh Kochhar, *Unemployment rate is higher than officially recorded, more so for women and certain other groups*, Pew Research Center, 30 June 2020, <https://www.pewresearch.org/fact-tank/2020/06/30/unemployment-rate-is-higher-than-officially-recorded-more-so-for-women-and-certain-other-groups/>.

⁵ Ongweso Jr., Edward, *This Bill Could Destroy Uber's Unustainable Business Model*, VICE, Jul. 18, 2019, <https://www.vice.com/en/article/zmpaq4/this-bill-could-destroy-ubers-unsustainable-business-model>.



Drivers and delivery persons are key human capital assets that provide Uber's services and act as its brand ambassadors. The cascade of regulatory scrutiny and interference discussed earlier is a direct result of company actions that have depressed driver earnings. While Uber does not report racial or gender information concerning drivers and delivery persons, research of rideshare drivers in Seattle and New York City found that a majority are people of color without a college education. Research of the London market found the vast majority of Uber's drivers there to be male immigrants primarily drawn from the bottom half of the London income distribution. Conversely, at the corporate level, Uber remains largely white, and investors have expressed concern regarding excessive levels of executive compensation. The compensation package of Uber's CEO was approved by 70 percent of shareholders at the most recent annual general meeting, which significantly lags behind the industry-average support rate of 90.5 percent (as of 2019), according to a report by executive compensation consulting firm Semler Brossy.⁶ In our view, these facts raise pay equity concerns that could subject Uber to public perceptions of fostering racial inequality, further damaging brand value.

Fragmented and uncodified Board oversight of human capital issues impedes sustainable value creation

The importance of human capital management to Uber is not reflected in the current duties of its Board. Currently, responsibility for certain key human capital issues identified by the company in its 2020 ESG Report as material (driver retention and well-being; and employee diversity and inclusion) is fragmented across the Board's Audit, Compensation, and Nominating and Governance committees and the full Board. None of the charters of these Board committees reference these specific issues, or human capital management more broadly. As a result, we are concerned that linkages important to management of firm assets and workforce related risks and opportunities may not be fully observed or addressed.

We believe that the Board could strengthen its oversight by designating one committee in its charter with working responsibility for human capital management. Although we are agnostic as to which particular committee would best be positioned for this, we submit for your consideration the recent work of Leo Strine, Jr., former Chief Justice of the Delaware Supreme Court.⁷ Justice Strine calls on boards to give compensation committees responsibility in their charter for human capital management. Justice Strine further suggests that boards give compensation committees responsibility for overseeing gainsharing among workers, top management and shareholders, so that workers are rewarded for productivity and profitability increases, and incentives are in place to encourage success across the organization. In our view, these changes would help reduce pressures for more intrusive government regulation and enhance the contribution of human capital management to sustainable value creation at Uber.

⁶ Semler Brossy, *2019 Say On Pay and Proxy Results, Russell 3000, Year End Report*, Jan.23, 2020, <https://www.semlebrossy.com/say-on-pay/2019-support-almost-identical-to-2018/>.

⁷ Strine, Leo and Smith, Kirby, *Toward Fair Gainsharing and a Quality Workplace for Employees: How a Reconceived Compensation Committee Might Help Make Corporations More Responsible Employers and Restore Faith in American Capitalism* (2020), U of Penn. Inst for Law & Econ Research Paper No. 20-37 Harvard John M. Olin Discussion Paper No. 1035, <https://ssrn.com/abstract=3619273>.



Uber's ESG Report lacks contextual and outcomes information essential to investors' human capital management risk analysis

In light of the above significant and material risks to Uber's value creation, we request a response to the following questions:

- What data does the company collect concerning the size, gender, race and ethnicity of Uber's drivers and delivery persons? How has the pandemic affected these variables?
- Does the Board conduct a pay equity analysis for its total workforce (including drivers and delivery persons) based on gender, race and ethnicity and if so, have any adjustments been made as a result?
- How were metrics related to driver and delivery person satisfaction and to retention and diversity and inclusion specifically linked to 2020 executive compensation decisions, as described in Uber's 2020 ESG report? What was the impact on compensation awards?
- How have employee cuts impacted Uber's gender, race and ethnicity diversity and goals at each level?
- What are Uber's goals regarding gender, race and ethnicity diversity concerning its drivers and delivery persons? How have these goals been impacted by any reduction in drivers and delivery persons as a result of the pandemic?

Thank you for your attention to these important matters and we look forward to hearing from you. Please contact me at dieter.waizenegger@ctwinvestmentgroup.com to schedule a time to discuss these issues further before November 13th.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Dieter Waizenegger', with a stylized flourish at the end.

Dieter Waizenegger
Executive Director

Cc:

By email: Tony West, Senior Vice President, Chief Legal Officer, and Corporate Secretary
Keir Gumbs, Associate General Counsel