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SUPERIOR COURT OF CALIFORNIA
COUNTY OF SANTA CLARA

IN RE ALPHABET INC. SHAREHOLDER
DERIVATIVE LITIGATION

Lead Case No.: 19CV341522

**ORDER AFTER HEARING ON
OCTOBER 22, 2020**

**Motion for Preliminary Approval of
Derivative Settlement**

The above-entitled matter came on regularly for hearing on Thursday, October 22, 2020 at 1:30 p.m. in Department 1 (Complex Civil Litigation), the Honorable Brian C. Walsh presiding. A tentative ruling was issued prior to the hearing, which no party challenged. The appearances are as stated in the record. Having reviewed and considered the written submissions of all parties and being fully advised, the Court adopts the tentative ruling as follows:

These consolidated shareholder derivative actions arise from allegations that officers and directors of Alphabet, Inc., the parent company of Google LLC, breached their fiduciary duties and committed other misconduct in connection with multi-million-dollar severance awards to male executives accused of assaulting female employees, amid a broader culture of

1 discrimination against women at the company. The plaintiffs also allege claims arising from a
2 data breach impacting the Google+ service.

3 Before the Court is plaintiffs’ unopposed motion for preliminary approval of a settlement.
4 A related motion to seal was withdrawn.

5
6 I. Allegations of the Operative Complaint

7 As alleged in the Consolidated Stockholder Derivative Complaint, Alphabet actively
8 promotes itself as a “good” company, both in terms of employee benefits and experience, and in
9 terms of the impact its work has on the world. (Complaint, ¶ 100.) Alphabet publicly
10 participates in numerous diversity initiatives and programs and, until recently, emphasized its
11 famous “Don’t be evil” slogan throughout its Code of Conduct. (*Ibid.*) Alphabet’s reputation as
12 a responsible and progressive employer is essential to its ability to hire and retain highly sought-
13 after employees, and data protection is similarly critical to its reputation, brand, and business,
14 because personal data is the building block of nearly all its products. (*Id.*, ¶¶ 101, 103.)
15 However, in recent years, Alphabet has used its reputation for “good” to ward off serious inquiry
16 into deep-seated cultural problems, resulting in a “culture of concealment” that threatens to harm
17 the company’s valuation and long-term success. (*Id.*, ¶¶ 104, 106.)

18 Plaintiffs allege that Alphabet’s leadership knowingly failed to take meaningful steps to
19 address a pervasive culture of harassment and discrimination, dating to the company’s early
20 days. (Complaint, ¶¶ 107–108.) Google was founded in 1998 by defendants Lawrence E. Page
21 and Sergey Brin, who at the time were Stanford graduate students, and these defendants have
22 long dominated and controlled Google and wielded voting control of the company. (*Id.*, ¶ 108.)
23 They have both infamously brought their sex lives to work by dating subordinate employees.
24 (*Id.*, ¶¶ 108–110.) Google’s General Counsel, defendant David C. Drummond, also dated a
25 subordinate, who was transferred after the relationship ended while he was promoted to Chief
26 Legal Officer of Alphabet. (*Id.*, ¶¶ 112–113.) And Google’s former CEO, defendant Eric
27 Emerson Schmidt, openly carried out extramarital relationships with women who attended
28 corporate events with him. (*Id.*, ¶ 111.) Like much of Silicon Valley, Alphabet is a male-

1 dominated workplace: in 2018, women made up just over 30% of its workforce, and just over
2 25% of its leadership positions. (*Id.*, ¶ 169.)

3 A. Defendants’ Alleged Concealment of High-Level Employee Misconduct and
4 Improper Payouts

5 Plaintiffs allege that against this background, Alphabet’s leadership tolerated persistent
6 misconduct from other high-level employees, damaging the company. One such employee was
7 defendant Andrew Rubin, Google’s lavishly compensated Senior Vice President of Mobile, who
8 developed the Android operating system that enabled Google’s critical transition from desktop to
9 mobile. (Complaint, ¶ 116.) Rubin was temporarily transitioned out of his leadership role to
10 become a “Google Advisor,” likely as an attempt to remove him from control over direct reports;
11 however, he was then placed in charge of Google’s Robotics division in 2014. (*Id.*, ¶ 118.) In
12 2012, while still leading the Android division, Rubin started dating a subordinate, a relationship
13 which Alphabet policy required to be reported to either Drummond or Alphabet’s “Head of
14 People Ops,” defendant Laszlo Bock. (*Id.*, ¶¶ 120–121.) The following year, the junior
15 employee ended the relationship, but was concerned about the consequences for her career. (*Id.*,
16 ¶ 121.) According to two company executives who spoke to the *New York Times*, the woman
17 agreed to meet Rubin at a hotel in March of 2013 where, she alleges, Rubin coerced her into
18 performing oral sex. (*Ibid.*) The woman filed a complaint against Rubin in 2014. (*Ibid.*)

19 On April 4, 2014, the Leadership Development and Compensation Committee (the
20 “LDCC,” consisting of defendants L. John Doerr and Kavitar Ram Shriram, and Paul Otellini,
21 who died in 2017) offered Rubin a generous compensation package, which Rubin declined to
22 accept until he could speak with defendant Page. (Complaint, ¶ 123.) In August 2014, while
23 Google’s investigation into the allegations against Rubin was already well underway, Page
24 proposed an aggressive equity compensation package for Rubin consisting of two stock grants
25 valued at \$150 million, which would begin to vest in July 2015 and April 2018. (*Id.*, ¶ 124.)
26 Although this award was supposed to be approved by the LDCC, the Board minutes and related
27 emails produced by Alphabet make it clear that Page decided to approve it himself and only later
28 obtained rubber-stamp approval from the LDCC. (*Id.*, ¶ 125.)

1 Alphabet concluded its investigation into the sexual harassment allegations against Rubin
2 and determined those allegations were credible. (Complaint, ¶ 127.) As a result, Brin, Page,
3 Doerr, Shriram, and Drummond, along with defendants Diane B. Greene, Ann Mather, Alan R.
4 Mulally, John L. Hennessy, and Shirley M. Tilghman, agreed to have Page ask for Rubin’s
5 resignation, but did not cause Google to disclose the reason for Rubin’s resignation or demand
6 that he be fired for cause. (*Ibid.*) Because his August 2014 stock grant would not begin to vest
7 until July 2015, Alphabet could have fired Rubin for cause, paid him nothing, and demanded
8 immediate repayment of an outstanding \$14 million loan made in 2012 to finance Rubin’s beach
9 house in Japan. (*Id.*, ¶¶ 116, 128.) Instead, the LDCC, after discussion at a meeting including
10 Page, Drummond, Doerr, Shriram, and Bock, approved a separation package providing that
11 Rubin would receive \$90 million in cash severance and could delay payment of the 2012 loan.
12 (*Id.*, ¶¶ 129–130.) Rubin stepped down from his position at Google on October 31, 2014, after
13 he was reportedly given a “hero’s farewell.” (*Id.*, ¶ 131.) Alphabet subsequently invested
14 millions of dollars in his next venture, a venture fund and design studio intended to “incubate”
15 startups making hardware devices. (*Id.*, ¶ 132.)

16 The Board continued to conceal the true circumstances of Rubin’s departure from
17 Alphabet after early reports of his inappropriate relationship began to surface in 2017.
18 (Complaint, ¶¶ 136–138.) In 2018, the *New York Times* broke a major story on the Board’s
19 cover-up of its decision to reward and shield Rubin’s sexual harassment, which resulted in
20 dozens more news articles around the world. (*Id.*, ¶ 139.) In the days following publication of
21 the article, no Alphabet executive or Board member denied the reported facts. (*Id.*, ¶ 188.)
22 Instead, Alphabet disclosed an additional 48 cases of sexual harassment in just the prior two
23 years, stating that none of those cases included severance payments. (*Ibid.*) This reflected a
24 double standard that Alphabet used to mete out token punishments to lower-level employees
25 accused of harassment while shielding its powerful executives from the consequences of their
26 serious misconduct. (*Ibid.*)

27 Google’s practice of disregarding, covering up, and rewarding the malfeasance of its
28 senior executives continued with the handling of a separation agreement with Amit Singhal, a

1 Senior Vice President who headed Search. (Complaint, ¶ 148.) In 2015, an employee said Mr.
2 Singhal groped her at an off-site event attended by dozens of colleagues. (*Id.*, ¶ 149.) Google
3 investigated and found that Mr. Singhal was inebriated and, while there were no witnesses, that
4 the female employee’s claim was credible. (*Ibid.*) Defendant Bock and Google’s current CEO,
5 defendant Sundar Pichai, spoke to Singhal about the allegations, and Alphabet permitted him to
6 “resign” rather than firing him for cause. (*Ibid.*) Pichai was responsible for recommending
7 equity grants for Senior Vice Presidents like Singhal, and in 2015, Singhal was awarded a
8 biennial compensation package worth \$40 million, with an annual bonus of \$3 million. (*Id.*,
9 ¶ 150.) On January 10, 2016, defendant Bock, copying defendants Page and Pichai among
10 others, requested the LDCC’s approval of a separation agreement with Singhal for between \$35
11 and \$45 million, which was approved hours later with one-line emails. (*Id.*, ¶ 151.) Because the
12 reasons for Singhal’s departure were concealed, he found another lucrative job, becoming head
13 of engineering at the ride-hailing company Uber less than a year later. (*Id.*, ¶ 156.) Within
14 weeks, the technology news website *Recode* reported that Mr. Singhal had left Google after a
15 misconduct accusation. (*Ibid.*)

16 Other Google executives committed similar misconduct and may have been paid off by
17 Google. In 2013, Richard DeVaul, a director at Google X, the company’s research and
18 development arm, interviewed Star Simpson, a hardware engineer. (Complaint, ¶ 158.) During
19 the interview, he told her that he and his wife were “polyamorous,” and he later invited her to
20 attend Burning Man, an annual festival in the Nevada desert. (*Ibid.*) At Mr. DeVaul’s
21 encampment, Ms. Simpson said, he asked her to remove her shirt and offered a back rub. (*Id.*,
22 ¶ 160.) She said she refused. (*Ibid.*) When he insisted, she said she relented to a neck rub.
23 (*Ibid.*) A few weeks later, Google told Ms. Simpson she did not get the job, without explaining
24 why. (*Id.*, ¶ 162.) When Ms. Simpson reported the episode to Google two years later, a human
25 resources official asked her to stay quiet about what had happened, although the official said her
26 account was “more likely than not” true and that “appropriate action” had been taken. (*Id.*,
27 ¶¶ 163–164.) After DeVaul resigned from his position on October 30, 2018, *Axios* reported that
28

1 he had been “accused of multiple incidents of harassment” during his tenure at Alphabet. (*Id.*,
2 ¶ 165.)

3 In 2014, Google’s Senior Vice President and Chief Business Officer Nikesh Arora
4 resigned with \$8 million in severance in the form of a bonus he would otherwise have been
5 required to repay. (Complaint, ¶ 166.) Arora’s transition agreement contained a provision
6 stating that “You may characterize your departure from the Company as voluntary and
7 communicate the same to your team and peers, however, any written communications related to
8 your departure must be pre-approved by Google’s Communications representative.” (*Id.*, ¶ 168.)

9 B. Employees’ Reaction and Broader Workplace Issues at Alphabet

10 Above and beyond these high-profile examples, plaintiffs allege that the director
11 defendants’ persistent failure to adopt adequate policies and procedures for preventing,
12 investigating, and punishing sexual harassment contributed to a hostile work environment for
13 women. (Complaint, ¶ 174.) For example, “complainants are often not told about the details of
14 subsequent investigations,” current and former employees said in an article published by the
15 *Times*, and the company’s policy forcing sexual harassment claims into arbitration has helped to
16 keep formal challenges to those procedures out of the public eye. (*Ibid.*) Alphabet has also been
17 accused of violating anti-discrimination and equal pay laws. (*Id.*, ¶¶ 178–183.) Alphabet’s
18 management and Board have actively opposed employee and shareholder proposals to address
19 the company’s issues with workplace diversity and transparency on pay equity (*Id.*, ¶¶ 177, 184–
20 185.)

21 On November 1, 2018, furious over the Board’s cover-up of sexual harassment by senior
22 executives, employees staged a highly publicized synchronized walkout at Google offices across
23 the world. (Complaint, ¶¶ 192–198.) After the walkout, Alphabet made small concessions to its
24 employees’ concerns: it agreed to end its policy of forced arbitration for sexual harassment
25 claims, improve its investigation process, and dock the performance ratings of employees who
26 refuse to participate in sexual harassment training. (*Id.*, ¶ 204.) However, these efforts are
27 inadequate and are prospective only: they do not include a plan to recapture bonuses or stock
28 paid to executives who were found to have been credibly accused of sexual harassment, nor do

1 they create sanctions for the leadership and Board members who signed off on such wasteful and
2 inappropriate payments. (*Ibid.*) Underscoring Alphabet’s lack of progress, two organizers of the
3 walkout subsequently left the company, and others alleged they faced retaliation. (*Id.*, ¶ 205.)

4 On May 1, 2019, over one thousand Alphabet employees staged a sit-in in protest. (*Ibid.*)

5 On April 30, 2019, Alphabet filed its Proxy for the 2019 Annual Meeting of shareholders,
6 failing to nominate defendant Schmidt for re-election to the Board. (Complaint, ¶¶ 236–238.)

7 Plaintiffs allege that Schmidt may have been forced out at Alphabet due to his involvement in
8 fostering a culture that was hostile to female employees and protecting male employees who
9 engaged in sexual harassment and discrimination. (*Id.*, ¶ 238.) The true reason for his failure to
10 stand for re-election to the Board was material to investors, and should have been disclosed.

11 (*Ibid.*)

12 C. Defendants’ Alleged Concealment of the Google+ Breach

13 Plaintiffs further allege that Alphabet’s leadership violated their fiduciary duties in
14 connection with a data breach of its Google+ service. At the time of the breach, Alphabet’s
15 pattern of misleading, incomplete, and inaccurate statements regarding data privacy was already
16 drawing heightened regulatory scrutiny and legal penalties, including a 20-year consent decree
17 with the Federal Trade Commission related to charges that the company used deceptive tactics
18 and violated its own privacy promises to consumers in connection with its social media network,
19 Google Buzz. (Complaint, ¶¶ 208–213.) Then, on October 8, 2018, the *Wall Street Journal*
20 reported that senior executives at the company, including defendant Pichai, deliberately
21 concealed a data breach affecting hundreds of thousands of Google+ accounts. (*Id.*, ¶ 214.)

22 Specifically, in March 2018, during a company-wide review of third-party developer
23 access to Google account and Android device data, Alphabet discovered that, since 2015, an
24 internal bug in a Google+ API allowed outside developers to access the data of users who had
25 not granted permission for sharing, including data that was explicitly marked nonpublic in
26 Google’s privacy settings. (Complaint, ¶ 215.) During a two-week period after the bug was
27 discovered, Alphabet ran tests to assess the scope and impact of the breach, and determined that
28 the private Google+ data of 496,951 users had been exposed to up to 438 applications over

1 nearly a three-year period. (*Id.*, ¶ 217.) The data included users’ “full names, email addresses,
2 birth dates, gender, profile photos, places lived, occupation, and relationship status,” and the
3 impacted users included paying users of Google’s “G Suite,” which might include businesses,
4 schools, and governments. (*Ibid.*)

5 When the breach was finally uncovered, Alphabet’s policies and procedures rendered it
6 wholly incapable of determining what damage it might have caused. (Complaint, ¶ 218.)
7 Because Alphabet deleted its activity logs every two weeks, it was unable to accurately identify
8 affected users or determine whether their data had been misused. (*Ibid.*) Because the company
9 did not secure “audit rights” over its developers, it had only a limited ability to determine what
10 the apps with access to the data might have done with it, and it further failed to “call or visit
11 with” developers to determine the scope of possible misuse. (*Ibid.*) Meanwhile, Alphabet legal
12 and policy staff drafted an internal memo recommending against disclosing the incident to
13 potentially affected users or the public, which was shared with senior executives including
14 Pichai. (*Id.*, ¶¶ 219–220.) The *Wall Street Journal* reported that defendant Pichai was
15 specifically “briefed on the plan not to notify users after an internal committee had reached that
16 decision,” and it is reasonable to infer the Board’s Audit Committee was also involved in and/or
17 apprised of the decision. (*Id.*, ¶ 220.) The revelation of the Google+ breach did, as the internal
18 memo feared, trigger “immediate regulatory interest” from several groups of Senators, who
19 found the fact of the company’s cover-up at least as troubling as the breach itself. (*Id.*, ¶¶ 223–
20 229.) The New York and Connecticut Attorneys General announced investigations into whether
21 the Google+ breach violates the data protection laws in those states, and European regulators are
22 also investigating. (*Id.*, ¶¶ 230–231.)

23 24 II. The Instant “California Action”

25 In early 2019, five derivative actions arising from the challenged severance payments and
26 related events were filed in this Court. The Court heard competing motions to consolidate the
27 actions and appoint lead plaintiffs and lead counsel, ultimately appointing Northern California
28 Pipe Trades Pension Plan, Teamsters Local 272 Labor Management Pension Fund, and James

1 Martin as lead plaintiffs, and their counsel Cohen Milstein Sellers & Toll PLLC and Bottini &
2 Bottini, Inc. as co-lead counsel. Plaintiff Sjunde-AP Fonden (“AP7”) was permitted to maintain
3 a separate complaint, with its counsel serving as lead of that complaint through the demurrer
4 stage.

5 In August 2019, plaintiffs (other than AP7) filed the Consolidated Complaint, asserting
6 claims against the individual defendants for (1) breach of fiduciary duty, (2) unjust enrichment,
7 and (3) corporate waste, as well as (4) a claim for abuse of control against Page, Brin, Doerr, and
8 Schmidt. Plaintiffs allege that the company has been damaged by defendants’ conduct through
9 the severance payments to Rubin and Singhal; the costs of defense in a securities fraud action
10 related to Google+, *In re Alphabet Inc. Sec. Litig.* (N.D. Cal., Lead Case No. 18-CV-06245-
11 JSW); costs and potential liabilities associated with claims of sexual harassment, discrimination,
12 and retaliation, as well as data privacy claims; and damage to the company’s reputation,
13 goodwill, and workplace. Plaintiffs alleged that demand upon Alphabet’s Board was excused
14 because each member of the Board faced a substantial likelihood of personal liability; a majority
15 of the Board completely abdicated its fiduciary duties; a majority of the Board is not
16 independent; and the Board is controlled by Page and Brin. AP7’s separate complaint asserted
17 similar substantive claims, but alleged its demand upon the Board was refused.

18 In February and March 2020, two additional related complaints were filed in this Court,
19 by Jackson D. Morgus and John R. O’Neil. These actions, which raise new allegations involving
20 defendant Drummond’s retirement and sales of stocks amidst investigation into his relationships
21 at the company, were subsequently consolidated with the earlier-filed cases. Together, the
22 actions before this Court are referred to as the “California Action.”

23 24 III. Related Actions

25 The parties’ settlement addresses the resolution of certain related litigation, which is not
26 before this Court. Between January and March 2019, several cases were filed in federal court
27 which plaintiffs describe as asserting claims for breach of fiduciary duty, corporate waste, and
28 unjust enrichment—as well as violations of the federal securities laws—related to employee

1 misconduct, severance payments, and the Google+ data breach. On February 5, 2020, the federal
2 court granted defendants’ motion to stay these Federal Actions pending resolution of this
3 California Action.

4 On May 14, 2019, Irving Firemen’s Relief & Retirement Fund filed suit in Delaware,
5 based on what plaintiffs characterize as essentially the same allegations that are at issue here.
6 Defendants’ motion to stay that Delaware Action in favor of the litigation before this Court was
7 denied. However, on July 22, 2019, the Special Litigation Committee moved to stay the
8 Delaware Action pending completion of its process, and that motion was granted. The parties
9 agreed to extend the stay in the Delaware Action pending mediation.

10 11 IV. Legal Standard for Approving a Derivative Settlement

12 “A court reviewing a settlement agreement considers whether the proposed settlement is
13 fair and reasonable in light of all relevant factors. [Citations.] A court reviews the settlement of
14 a derivative suit as a means of protecting the interests of those who are not directly represented
15 in the settlement negotiations.” (*Robbins v. Alibrandi* (2005) 127 Cal.App.4th 438, 445.) “The
16 duty of a court reviewing a settlement of a class action provides a useful analogy because the
17 court in such cases seeks to protect the members of the class who, like the corporation and non-
18 named shareholders in a derivative suit, may have no independent representation and little
19 control over the action.” (*Id.* at p. 449, fn. 2.) Thus, in evaluating the fairness of the derivative
20 aspects of this settlement, the Court’s analysis is guided by relevant legal authorities regarding
21 the approval of class action settlements.

22 Generally, “questions whether a settlement was fair and reasonable, whether notice to the
23 class was adequate, ... and whether the attorney fee award was proper are matters addressed to
24 the trial court’s broad discretion.” (*Wershba v. Apple Computer, Inc.* (2001) 91 Cal.App.4th
25 224, 234-235, citing *Dunk v. Ford Motor Co.* (1996) 48 Cal.App.4th 1794.)

26 In determining whether a class settlement is fair, adequate and reasonable, the
27 trial court should consider relevant factors, such as the strength of plaintiffs’ case,
28 the risk, expense, complexity and likely duration of further litigation, ... the
amount offered in settlement, the extent of discovery completed and the stage of
the proceedings, the experience and views of counsel, the presence of a

1 governmental participant, and the reaction of the class members to the proposed
2 settlement.

3 (*Wershba v. Apple Computer, Inc., supra*, 91 Cal.App.4th at pp. 244-245, internal citations and
4 quotations omitted.)

5 The list of factors is not exclusive and the court is free to engage in a balancing and
6 weighing of factors depending on the circumstances of each case. (*Wershba v. Apple Computer,*
7 *Inc., supra*, 91 Cal.App.4th at p. 245.) The court must examine the “proposed settlement
8 agreement to the extent necessary to reach a reasoned judgment that the agreement is not the
9 product of fraud or overreaching by, or collusion between, the negotiating parties, and that the
10 settlement, taken as a whole, is fair, reasonable and adequate to all concerned.” (*Ibid.*, quoting
11 *Dunk v. Ford Motor Co., supra*, 48 Cal.App.4th at p. 1801, internal quotation marks omitted.)

12 The burden is on the proponent of the settlement to show that it is fair and
13 reasonable. However “a presumption of fairness exists where: (1) the settlement
14 is reached through arm’s-length bargaining; (2) investigation and discovery are
15 sufficient to allow counsel and the court to act intelligently; (3) counsel is
16 experienced in similar litigation; and (4) the percentage of objectors is small.”

17 (*Wershba v. Apple Computer, Inc., supra*, 91 Cal.App.4th at p. 245, citing *Dunk v. Ford Motor*
18 *Co., supra*, 48 Cal.App.4th at p. 1802.)

19 The presumption does not permit the Court to “give rubber-stamp approval” to a
20 settlement; in all cases, it must “independently and objectively analyze the evidence and
21 circumstances before it in order to determine whether the settlement is in the best interests of
22 those whose claims will be extinguished,” based on a sufficiently developed factual record.

23 (*Kullar v. Foot Locker Retail, Inc.* (2008) 168 Cal.App.4th 116, 130.)

24 V. The Parties’ Investigations and Settlement Process

25 At a status conference on June 14, 2019, Alphabet’s counsel advised the Court that the
26 Board had formed a Special Litigation Committee (“SLC”) to evaluate and investigate plaintiffs’
27 claims. The parties agreed to delay the response date to the operative complaints pending an
28 investigation by the SLC and, subsequently, to allow them to engage in mediation.

1 The SLC is composed of two outside directors, Roger Ferguson and Ann Mather, whom
2 the Board determined to be independent and disinterested with regard to the matters at issue.¹
3 The SLC began its investigation in May 2019 and retained Cravath, Swaine & Moore LLP and
4 Abrams & Bayliss LLP to serve as its independent counsel. The SLC was given the full
5 authority of the Board to evaluate the allegations and claims asserted in the actions before this
6 Court and related litigation and shareholder demands, and to arrive at such decisions and take
7 such actions as the SLC deemed appropriate and in the best interests of the company and its
8 stockholders, including, without limitation, deciding whether to pursue the claims, seek a
9 consensual resolution, or seek dismissal.

10 In addition to the SLC, in 2018, Alphabet's Board had established a Special Committee
11 to oversee a comprehensive review by management of company policies and processes related to
12 sexual harassment and/or sexual misconduct, retaining Wilmer Cutler Pickering Hale and Dorr
13 LLP to conduct this review. The SLC assumed oversight of the process previously overseen by
14 the Special Committee and expanded its scope to include policies and processes related to anti-
15 retaliation and pay equity.

16 Counsel for the SLC declares that, through Cravath and in part itself, the SLC reviewed
17 over 40,000 documents, including emails from 29 custodians, relevant corporate documents, and
18 Board materials. Cravath interviewed 19 people, including the living LDCC members from the
19 applicable periods and employees at multiple levels, including the company's most senior
20 executives. With the assistance of Cravath, the SLC engaged in extensive factual and legal
21

22 ¹ The SLC submits that Ms. Mather has never served on the LDCC, and there is no indication that either the Audit
23 Committee on which she does serve or the full Board was briefed on the challenged sexual harassment
24 investigations at the time they occurred. Mr. Ferguson did not join the Board until mid-2016, subsequent to all the
investigations and severance decisions that are the focus of plaintiffs' allegations.

25 The SLC further contends that neither SLC member has any substantial personal or financial ties to any defendant.
26 The only investments cited by plaintiffs in their demand futility allegations arise from Ms. Mather's role as a
27 director and stockholder of Veem, Inc., an e-payments platform in which an entity affiliated with LDCC Chair John
28 Doerr, Google Ventures (Alphabet's VC fund), and Mr. Ferguson, indirectly as a limited partner in two asset
management funds, have invested. However, there is no indication that these ties to Veem could or did impair the
SLC's ability to objectively assess the claims. Ms. Mather serves on boards other than Veem, is compensated for
her work as a Veem director only in stock, and that stock compensation is immaterial relative to her other sources of
income. Mr. Ferguson's investment in Veem not only is relatively unsubstantial (as is Google's at \$2 million), but
also indirect through two other entities.

1 analysis of the allegations and claims at issue. It consulted executive compensation and benefits
2 attorneys at Cravath regarding the value of the non-compete conditions in Rubin's and Singhal's
3 separation agreements. On December 9, 2019, the SLC informed counsel that it had determined
4 that it was in the company's and its stockholders' best interests to attempt to resolve the claims at
5 issue through a global mediation, and not to pursue the claims, which it determined did not
6 amount to colorable claims that were in Alphabet's best interests to pursue.

7 Prior to filing the Consolidated Complaint, plaintiffs' counsel investigated the claims at
8 issue by reviewing 1,900 pages of internal documents produced by Alphabet in response to the
9 lead plaintiffs' stockholder inspection demands. AP7 also reviewed internal documents
10 produced in response to its own demand. The documents reviewed by plaintiffs included
11 (1) minutes, agendas, Board packages, communications, and other materials relating to regularly
12 conducted and special meetings of the Board and the LDCC; (2) internal company policies,
13 including the Code of Conduct and Relationships with Coworkers and Employment of Relatives
14 Policy, and drafts thereof; (3) employment and termination agreements of certain executives; and
15 (4) certain director and officer questionnaires.

16 Before formal settlement negotiations began, plaintiffs' counsel attended several
17 conferences with counsel for defendants and the SLC. On January 14, 2020, plaintiffs' co-lead
18 counsel, along with Louise Renne and Ann Ravel, met in person with counsel for defendants,
19 certain Alphabet representatives, and WilmerHale in Mountain View, California and
20 Washington, D.C. At the meeting, WilmerHale presented regarding the company's corporate
21 governance practices and internal controls on issues relevant to the plaintiffs' allegations, and an
22 Alphabet representative gave a presentation on Google's privacy program. Alphabet also
23 produced relevant policies and procedures at this meeting. AP7's counsel and expert separately
24 met with Cravath in person on September 20, 2019.

25 On January 17, 2020, the SLC, through Cravath, made a detailed oral presentation to
26 counsel for the settling parties regarding the SLC's investigation process and findings. The
27 presentation lasted several hours and included an oral summary of the SLC's investigation,
28 findings, and conclusions. It also included a review of certain internal company documents, e-

1 mails, and Board and LDCC minutes, which had been circulated to the settling parties in
2 advance. Cravath summarized the SLC’s findings with respect to Google’s user data privacy
3 program, and WilmerHale presented relevant policies and procedures related to harassment,
4 retaliation and pay equity, as well as a discussion of the workplace enhancements that the SLC
5 had approved and adopted for inclusion in any resolution.

6 Following receipt and review of this information, plaintiffs’ counsel engaged in a two-
7 day mediation with defendants’ counsel on January 22 and 23, 2020, at JAMS in San Francisco.
8 Hon. James P. Kleinberg (Ret.) served as the mediator. Counsel again met in person on February
9 25, 2020 in Palo Alto to continue their settlement discussions with Judge Kleinberg’s assistance.
10 During this time, plaintiffs’ co-lead counsel consulted with their retained experts, including a
11 corporate governance expert and a data privacy expert, and provided feedback on the proposed
12 settlement. Through dozens of calls, meetings, and communications over a three-month time
13 period, the parties exchanged numerous offers and counter-offers concerning different aspects of
14 the proposed settlement. The settling parties affirmed the appropriateness of the workplace
15 enhancements adopted by the SLC, and agreed to revisions to certain recommendations
16 originally proposed as part of its review. The parties also reached agreement on additional
17 governance reforms reflected in the stipulation. Plaintiffs’ counsel researched, interviewed, and
18 advocated for specific individuals to serve on the proposed Diversity, Equity and Inclusion
19 Advisory Council.

20 On April 20, 2020, plaintiffs’ co-lead counsel, Delaware counsel, and counsel for
21 defendants negotiated a Memorandum of Understanding (“MOU”), which was executed by the
22 settling parties. Defendants’ counsel and the SLC subsequently provided to plaintiffs’ co-lead
23 counsel an interview of an attorney at Cravath regarding the SLC’s process and independence,
24 which occurred on June 23, 2020, and over 5,300 additional pages of relevant Alphabet
25 documents. The SLC approved the settlement and the parties executed the Stipulation now
26 before the Court on August 20, 2020. Prior to that time, there were no negotiations regarding
27 attorney fees or service awards.
28

1 Following the execution of the Stipulation, the settling parties separately negotiated, with
2 the assistance of the Hon. Layn Phillips (Ret.), reasonable attorney fees and expenses for
3 shareholders' counsel (other than Delaware counsel) to be paid by defendants and/or their
4 insurance carriers.

5 6 VI. Provisions of the Settlement

7 The parties to the Stipulation are the plaintiffs in this California Action; the plaintiffs in
8 the Delaware Action and the five Federal Actions;² five stockholders who made related litigation
9 demands; Alphabet, by and through the SLC; and the individual defendants to the related
10 Litigations.³

11 A. The "Agreed-To Measures"

12 The settlement provides for the adoption, within 12 months of the effective date of the
13 settlement, of "Agreed-To Measures" summarized as follows, which shall remain in place for at
14 least five years from the effective date:

- 15 • Guiding Principles. Alphabet has agreed to adopt Guiding Principles of Commitment,
16 Care, Transparency, Fairness & Consistency, and Accountability, as described in the
17 Stipulation.
- 18 • Arbitration and NDAs. Google previously ended the use of mandatory arbitration for all
19 employment disputes between Google and its employees or members of Google's
20 extended workforce. Google also informed extended workforce suppliers of this change,
21 and by the terms of this Settlement will also request that its extended workforce suppliers
22 review their own arbitration policies. Additionally, Alphabet agrees to extend this waiver
23 of mandatory arbitration to harassment, discrimination, and retaliation disputes between
24 Other Bets [(Alphabet's subsidiaries other than Google)] and their employees or
25 members of their extended workforce. Google also agrees to continue to limit its use of
26 confidentiality restrictions when settling sexual harassment and retaliation claims,

25 ² The federal actions are *Bao v. Page* (N.D. Cal., Case No. 4:19-cv-00314-JSW); *Cordeiro v. Page* (N.D. Cal., Case
26 No. 4:19-cv-00447-JSW); *Galbiati v. Page* (N.D. Cal., Case No. 4:19-CV-01063-JSW); *Green v. Page* (N.D. Cal.,
Case No. 4:19-cv-01 165-JSW); and *Lipovich v. Page* (N.D. Cal., Case No. 4:19-CV-01295-JSW).

27 ³ The individual defendants herein are Lawrence E. Page, Sergey Brin, Eric E. Schmidt, Sundar Pichai, John L.
28 Hennessy, L. John Doerr, Kavitar Ram Shriram, Alan R. Mulally, Ann Mather, Roger W. Ferguson, Jr., Diane B.
Greene, Shirley M. Tilghman, Robin L. Washington, Andrew E. Rubin, Amit Singhal, Laszlo Bock, and David C.
Drummond. Alphabet's former head of human resources Eileen Naughton and its Chief Financial Officer Ruth E.
Porat are included as released individual defendants.

1 including allowing complainants to discuss underlying facts and circumstances of
2 incidents and the reporting process, and encourage Other Bets to do the same.

3 • Governance and Oversight.

4 (1) Board Membership: Alphabet agrees to ensure that the Nominating and Corporate
5 Governance Committee of its Board (“NomGov”) will annually review Board committee
6 memberships and will review chairs of every Board committee every three years to
7 consider whether a rotation of members is appropriate. This review will include a
8 thorough evaluation of each member’s performance, participation, and skill set, as well as
9 membership on private boards. The Board will also amend the NomGov charter to codify
10 this process.

11 (2) Leadership Development and Compensation Committee: Alphabet agrees to ensure
12 its Board will amend the LDCC’s charter to make explicit its mandate to oversee
13 management’s efforts to promote a workplace environment that is respectful and free
14 from employment discrimination, including harassment and retaliation. The LDCC
15 already receives reports from Google’s Chief Diversity Officer (“CDO”) on culture and
16 diversity, equity, and inclusion issues at Google, as well as the results of Google’s annual
17 Googlegeist survey. Going forward, the CDO’s reporting will be formalized, and Google
18 will maintain questions in Googlegeist related to company culture, respect, diversity,
19 equity, inclusion, integrity, and leadership (and continue to report to the LDCC annually
20 on the responses thereto). Additionally, the LDCC will receive data regarding reports
21 and resolution of claims of sexual harassment, discrimination, and retaliation, as well as a
22 presentation regarding the harassment training provided to Google employees along with
23 the training materials. The LDCC will report annually to the Board and include data
24 regarding reports and resolution of claims of sexual harassment, discrimination, and
25 retaliation, as well as results of Googlegeist. The LDCC will also report to the Board
26 compensation decisions for any “Senior Executive” (defined as a member of the C-Suite,
27 Senior Vice President, Country Manager, Head of a Business Unit, or Site Lead) found to
28 have engaged in serious misconduct involving sexual harassment, sexual misconduct, or
retaliation (along with the substantiated complaints, underlying allegations, and any
corrective action), and will continue to report on compensation for such Senior
Executives for each of the subsequent three years.

(3) Audit and Compliance Committee: Alphabet agrees to rename the Audit Committee
as the Audit and Compliance Committee (the “AC Committee”) and the Board will
update the AC Committee’s charter to explicitly reflect its oversight responsibilities for
legal and regulatory compliance, including data privacy. The AC Committee will hold
four separate mid-quarterly meetings per year on legal and regulatory compliance
matters, receive updates on specific compliance/investigation matters, and receive
quarterly reports on Google management’s compliance efforts and investigations.
Directors on the AC Committee will serve as both audit and compliance members.
Google will also implement a formal reporting structure from the Google heads of
compliance and investigations to the AC Committee, such that those individuals can
report to the AC Committee any concerns regarding the compliance program and

1 incidents of alleged non-compliance, including with respect to Senior Executives. The
2 AC Committee will also receive quarterly updates on cases brought to a newly created
3 “rapid response” team, which will have responsibility for certain cases involving Senior
4 Executives and/or the most serious allegations, such as those involving nonconsensual
5 sex or sexual assault. Google will also update its incident management process and legal
6 support model, by which the Regulatory and Investigations Team, Corporate Securities,
7 and the Controller Function assess the potential materiality of incidents (including by
8 providing hypothetical scenarios to confirm what incidents rise to the level of notifying
9 the AC Committee). The AC Committee will, in turn, provide quarterly reports to the full
10 Board regarding legal and regulatory compliance issues.

11 (4) Board Training and Training Oversight: In addition to mandating sexual harassment
12 training for the Board, as well as fiduciary duty training every other year, Alphabet will
13 promote Board oversight of Google employee sexual harassment training by tracking
14 compliance by business unit and reporting deficiencies to the Board, and will ensure
15 annual review of Google’s sexual harassment training materials by relevant stakeholders.

- 16 • Review of Policies and Procedures. Alphabet will commit Google to implement the
17 following enhancements to Google’s sexual harassment and retaliation compliance
18 programs:

19 (1) Policies: Google will incorporate the Guiding Principles expressly into its core Anti-
20 Discrimination, Harassment, and Retaliation Policy and update this and related policies
21 accordingly, including by explicitly addressing off-site conduct and conduct during the
22 hiring process, highlighting that Google employees in relationships are expected to
23 conduct themselves not only in accordance with Google’s Code of Conduct and Anti-
24 Discrimination, Harassment, and Retaliation Policy, as the policy already states, but also
25 with Google’s Respect values, and explicitly stating that Google has discretion to
26 reevaluate relationships it previously determined to be permissible. Google will develop
27 a tool to trigger supplier audits where suppliers demonstrate compliance-related concerns
28 arising from investigations.

(2) Reporting: Alphabet agrees that Google will revise reporting guidance to notify
employees that allegations involving the C-Suite may be reported directly to the Audit
Committee of the Board, and increase the visibility of Google’s
Respect@ program.

(3) Investigatory Practices and Procedures: Alphabet agrees that Google will enhance
and refine its processes with respect to investigations of sexual harassment and
retaliation, including by refining its comprehensive investigatory guidance to address
skills such as care and empathy and to emphasize the prohibition on retaliation.
Following an investigation, human resources personnel will check in with complainants
involved in harassment, discrimination, or retaliation investigations every six months
during the two years following the completion of the investigation (unless the
complainant opts against such check ins).

1 (4) Disciplinary Action and Remediation: Google will enhance its disciplinary action and
2 remediation procedures with respect to sexual harassment and retaliation as follows:

3 (A) Outcomes: Google will emphasize that senior leaders—Vice Presidents and
4 Senior Executives—will be held to a higher standard, while ensuring fairness and
5 consistency by having the relevant investigative team continue its existing
6 practice of both formally calibrating corrective action recommendations and
7 recommending a single disciplinary outcome. Google will also create an
8 Employee Disciplinary Committee to review the relevant investigative team’s
9 disciplinary recommendations for certain cases prior to their being finalized and a
10 Corrective Action Committee (“CAC”) to make final disciplinary determinations
11 in certain cases. The investigative team will report aggregate data regarding
12 disagreements with respect to disciplinary outcome between the investigative
13 team and the business to the CAC. Google will also provide guidance regarding
14 the use of coaching and expand usage of coaching as an additional corrective
15 action.

16 (B) Appeals: Google will codify when and how cases will be reconsidered
17 and/or reopened and provide guidance on how to respond to appeals requests.

18 (C) Pay, Promotions, and Severance: (i) Google will formalize its current
19 protocol to ensure decision makers, including the LDCC, are aware of misconduct
20 in making pay, promotion, or severance decisions. It will revise its severance
21 guidelines to reflect consideration of misconduct, and continue to ensure the
22 consideration and impact of employees’ misconduct in pay and promotion
23 decisions. (ii) Google will continue its current practice of not providing
24 severance to any employee, including a Senior Executive, terminated for sexual
25 harassment, sexual misconduct, or retaliation. Google will not: provide severance
26 to any employee, including a Senior Executive, who is the subject of a pending
27 investigation for sexual harassment, sexual misconduct, or retaliation at the time
28 of their departure; accelerate the vesting of unvested equity for any employee or
Senior Executive who is the subject of a pending investigation for such
misconduct or whose employment is being terminated based on a substantiated
finding of such misconduct; allow any employee, including a Senior Executive,
who has been informed by the company that they are the subject of a pending
investigation for such misconduct, or who has been sued for such misconduct, to
modify their 10b5-1 plan while Google’s investigation is ongoing; or allow any
employee, including a Senior Executive, to modify 10b5-1 plans if allegations of
such misconduct have been substantiated and the recommended corrective action
is termination. To the extent that management ever believes that extraordinary
circumstances (such as legal or contractual obligations) require departure from
these restrictions, the Board must review those circumstances before Google
allows the modification of a 10b5-1 plan by, or provides severance to, an
employee or Senior Executive being terminated on such grounds or who is the
subject of a pending investigation into such allegations. (iii) Google will
formally include Google values as performance expectations and will provide

1 compensation-based incentives for such positive behavior, while also
2 communicating to employees that misconduct is considered in pay, promotions,
3 and severance decisions (including by providing examples of how misconduct
4 could impact compensation). Employees will certify that they understand
5 misconduct could result in adverse action, including an impact to compensation.

6 (5) Sexual Harassment and Retaliation Training and Education: Google will continue to
7 enhance its policies, including by providing specific guidance to managers regarding
8 alcohol consumption and planning team events and making retaliation a focus of training
9 for all managers; by formalizing the training curriculum for its investigators who address
10 complaints relating to the extended workforce; and by providing guidance to members of
11 People Operations on soft skills, including care and empathy, and training them on issue
12 spotting when adverse actions may be retaliatory and how to respond.

13 B. The DEI Advisory Council

14 The Stipulation further provides that Alphabet shall establish and maintain a Diversity,
15 Equity, and Inclusion Advisory Council (the “DEI Advisory Council”) for at least five years
16 from the effective date of the settlement. The DEI Advisory Council will be responsible for
17 overseeing the creation, implementation, and ongoing operation of the Agreed-To Measures.
18 The DEI Advisory Council shall have access to aggregated data in the annual Googlegeist
19 Report, Investigations Report, Diversity Report, Pay Equity Update, or their equivalents and/or
20 successor versions, and may also request that Alphabet provide other reasonably available
21 aggregated data consistent with the scope of its duties.

22 The DEI Advisory Council will have three internal members, in addition to Alphabet’s
23 CEO Sundar Pichai for the first year, as well as a minimum of three external members with
24 expertise in diversity, inclusion, equity and/or sexual harassment. The external members will be
25 Judge Nancy Gertner (Ret.), Grace Speights, and Fred Alvarez, who were jointly selected by
26 Alphabet and plaintiffs’ co-lead counsel.

27 In order to ensure the participation and commitment of the highest quality professionals,
28 Alphabet shall (i) compensate each outside member of the DEI Advisory Council at a fair and
reasonable rate and (ii) reimburse each member for expenses. Alphabet shall also indemnify all
DEI Advisory Council members in the event of litigation arising out of their roles to the fullest
extent permitted by applicable law. The DEI Advisory Council may retain consultants, advisors,
and legal counsel to help fulfil its responsibilities and Alphabet will pay their fees. Any external

1 member of the DEI Advisory Council shall disclose to the LDCC relationships of which they are
2 aware between their employer and any Alphabet entity. Alphabet will work with the lead
3 plaintiffs to craft engagement agreements with the external members that seek to avoid their
4 deriving of improper benefits from their service on the DEI Advisory Council.

5 The DEI Advisory Council will meet at least once per quarter; external members are free
6 to meet without other members. Representatives of the council will participate in at least one
7 annual meeting with the LDCC, and the council will provide written quarterly reports to the CEO
8 and LDCC for three years, which may thereafter be made annual. An annual update of the
9 committee's work will be provided in Google's Diversity Report.

10 C. The Workplace Initiative and Funding Component

11 Alphabet shall cause to be spent a total of \$310 million over the course of up to 10 years
12 on the following workplace initiative and programs (the "Workplace Initiative"):

- 13 (1) Expanding the pool of technologists, especially those who are diverse, historically
14 underrepresented, and/or disadvantaged, including by increasing educational and career
15 opportunities through investments in computer science programs to build computer
16 science talent;
- 17 (2) Hiring, progression, and retention of historically underrepresented talent at Alphabet and
18 in particular at Google;
- 19 (3) Fostering respectful, equitable, and inclusive workplace cultures; and
- 20 (4) Helping historically underrepresented groups and individuals succeed with their
21 businesses and in the digital economy and tech industry, including by supporting
22 conferences and events and increasing access to digital tools and opportunities.

23 The CDO will be responsible for tracking the spending of this funding, and will take
24 reasonable measures to ensure it is used to support initiatives and programs within the scope
25 described above. The CDO will report annually to the LDCC on the status of spending and will
26 also report annually to the DEI Advisory Council. Google will include a summary in its public
27 annual Diversity Report about ways in which funds were spent to support the areas covered by
28 the Workplace Initiative in the prior fiscal year.

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1 D. Modification

2 Should the Board make a good faith determination, based on the exercise of its fiduciary
3 duties, that any term of the settlement consideration described above is contrary to the best
4 interests of the company, it may modify such provision after documenting the reasons therefore,
5 receiving advice from outside counsel, and providing notice to counsel for the stockholders. It
6 will then adopt a reasonably narrowly tailored modification consistent with the company's best
7 interests and with the purposes of the settlement. The individual defendants represent that the
8 Board is not presently aware of any information that would require such a modification.

9 E. Release

10 In exchange for the measures described above, the individual defendants, Alphabet, and
11 their Related Persons will obtain a release of all claims

12 that Alphabet, the Settling Stockholders derivatively on behalf of Alphabet, or
13 any Alphabet stockholder derivatively on behalf of Alphabet (i) asserted in any of
14 the complaints filed in the Litigations or in the Demands in the Settled Matters, or
15 (ii) could have asserted in any court, tribunal, forum, or proceeding, arising out of,
16 relating to, or based upon the facts, allegations, events, disclosures,
17 nondisclosures, occurrences, representations, statements, matters, transactions,
18 conduct, actions, failures to act, omissions, or circumstances that were alleged or
19 referred to in any of the complaints filed in the Litigations or in the Demands in
20 the Settled Matters; provided, however, that the Released Stockholder Claims
21 shall not include (i) any claims asserted in the pending stockholder and consumer
22 class actions captioned *In re Alphabet, Inc. Securities Litigation*, Lead Case No.
23 4:18-CV-6245-JSW (N.D. Cal.), and *In re Google Plus Profile Litig.*, Case No.
24 5:18-CV-6164-EJD (N.D. Cal.), (ii) any claims relating to the enforcement of the
25 Settlement or this Stipulation, or (iii) any claims that arise out of or are based
26 upon any conduct of the Released Defendant Persons after the Effective Date.

27 F. Attorney Fees

28 Following the execution of the Stipulation, the parties separately negotiated, with the
assistance of the Hon. Layn Phillips (Ret.), attorney fees and expenses for the stockholders'
counsel (other than Delaware counsel) to be paid by defendants and/or their insurance carriers.
Defendants have agreed not to oppose an award of fees and expenses not to exceed \$29 million.

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1 VII. Fairness of the Settlement

2 Plaintiffs submit that the settlement is fair and reasonable to Alphabet shareholders
3 considering the benefits it provides in relation to the risks of continued litigation, including the
4 cost to Alphabet and the distraction to management that would result from extended litigation.
5 With regard to the merits of their claims, plaintiffs explain that while they were cautiously
6 optimistic that their demand futility allegations would survive demurrer, there was a substantial
7 risk that they would not, given that, to their knowledge, only one derivative action regarding
8 sexual misconduct and board complicity in concealing that misconduct has overcome demand
9 futility nationwide. Moreover, given the high deference afforded to an SLC's decision to dismiss
10 a lawsuit, had this action not settled, there was a substantial risk that the SLC would recommend
11 dismissal and plaintiffs would have been required to demonstrate that the SLC lacked
12 independence or that it failed to conduct a reasonable investigation before they could litigate the
13 merits of their claims.

14 Even if plaintiffs cleared these initial hurdles, their breach of fiduciary duty claim
15 required them to prove a non-indemnifiable violation, and their corporate waste claim would
16 require them to prove there was no valid corporate purpose for the challenged severance
17 payments, which contained agreements not to compete that clearly benefitted the company.
18 Their investigation in this regard was hindered by the fact that two key individuals involved in
19 Rubin's and Singhal's compensation, Bill Campbell and LDCC member Paul Otellini, are now
20 deceased. With regard to defendant Drummond's more recent stock sales while under
21 investigation following this lawsuit, defendants would contend that Drummond did not sell his
22 stock based on any non-public information and that, because his stock had vested at the time of
23 his sales, the company had no ability to prevent them. Drummond did not receive any severance
24 package upon his departure.

25 Given these challenges, plaintiffs estimate that realistic potential recoverable damages in
26 this case were in the range of \$50 to \$65 million for claims related to sexual misconduct. They
27 determined that securing long-term meaningful commitments to workplace equity at Alphabet, as
28 well as the establishment of the DEI Advisory Council and Alphabet's commitment to spend

1 \$310 million over the course of up to 10 years on the Workplace Initiative, will achieve much
2 greater long-term value for investors and Alphabet employees.

3 Plaintiffs also alleged a claim of breach of fiduciary duty related to the Google+ breach
4 and privacy claim. All eleven director defendants were on the Board at the time that Alphabet
5 allegedly decided to conceal the breach from regulators, which plaintiffs believe was in likely
6 violation of an FTC consent decree. Challenges in prevailing on this claim included that
7 Google+, the product at issue, was used by a small number of consumers and the breach did not
8 involve sensitive data (such as passwords or financial information). Additionally, regulatory
9 inquiries into the matter were resolved and none resulted in financial penalties, while a securities
10 class action involving these same allegations was dismissed. Plaintiffs believe their strongest
11 argument for recoverable damages was the \$7.5 million paid to settle a consumer class action
12 related to the breach, which plaintiffs contend is a comparatively small recovery relative to
13 Google's agreement to implement changes to the process for assessing the materiality of data
14 incidents and informing the Board where appropriate.

15 The SLC also submits a statement in support of the settlement, which describes its
16 investigation and analysis of the merits of plaintiffs' claims. The SLC found that the LDCC and
17 management adequately deliberated over the equity grant and severance for Rubin and the
18 severance for Singhal, including by asking questions and engaging in good-faith internal debate
19 and discussion. Reasonable business justifications supported these decisions, including, among
20 other things, disincentivizing Rubin and Singhal—both of whom had enormous competitive
21 value—from going to work for competitors, which was a legitimate concern. Although in
22 hindsight it would have been better if the LDCC had been provided with more information about
23 the investigation into Rubin's conduct at the time it was making the challenged decisions, the
24 SLC did not find evidence that management was trying to hide this information or that the LDCC
25 members acted with reckless indifference to, or deliberate disregard for, their responsibilities.
26 The SLC also found insufficient evidence that management failed to use reasonable care in
27 informing the LDCC or other directors, even if a simple negligence standard applied. As to
28 Drummond, the SLC found that his sales were each made pursuant to a 10b5-1 plan and included

1 fully vested options awarded to him in April 2014. Drummond initiated that plan on May 28,
2 2019—in the first open trading window after his prior 10b5-1 plan expired—and modified it on
3 August 19, prior to when the more expansive allegations concerning his conduct were published
4 on August 28, 2019. Given this chronology, the SLC saw no indication that Drummond’s stock
5 plan decisions related to the allegations against him or the SLC’s investigation of those
6 allegations, which commenced in early September 2019.

7 With regard to the Google+ bug, the SLC determined that management’s decision
8 whether to disclose the bug to users and in public filings was made with due care, with senior
9 executives devoting significant thought to the issue and relying on appropriate processes and
10 subject-matter experts. The SLC saw no legal violation in management’s decision not to notify
11 the Board earlier, and concluded that the Board would be so informed today due to
12 enhancements to the company’s data privacy reporting that have been implemented since 2018.

13 Considering these analyses and its own experience with derivative actions akin to those at
14 issue here, the Court finds that the settlement of this California Action is fair and reasonable for
15 purposes of preliminary approval. While some of the allegations underlying plaintiffs’
16 complaints are scandalous, their path to wresting control of this action from the Board and, in
17 particular, the SLC, is difficult and uncertain. The merits are hotly disputed, and continuing to
18 battle them out in public may well do the company more harm than good given the nature of the
19 claims and the uncertain recovery at issue. The settlement provides significant value to Alphabet
20 in the form of meaningful governance reforms and financial commitments addressed to the
21 issues giving rise to these actions. Ultimately, the Court believes that preventing further
22 incidents like those described by plaintiffs will be more valuable to the company and its
23 shareholders than any likely financial recovery in this action, and it appears that the reforms
24 negotiated by the parties are well-designed to accomplish this.

25 The Court retains an independent right and responsibility to review the attorney fee
26 provisions of the settlement agreement and award only so much as it determines to be
27 reasonable. (See *Garabedian v. Los Angeles Cellular Telephone Co.* (2004) 118 Cal.App.4th
28 123, 127-128.) In derivative settlements, “[t]he court therefore must consider whether the

1 negotiated fee will result in unwarranted harm to the corporation and the shareholders, such as
2 would be the situation if the cost of the settlement to the corporation far exceeded its value to the
3 corporation and shareholders.” (*Robbins, supra*, 127 Cal.App.4th at p. 450 [reducing fee award
4 to \$150,000 where value of corporate governance reforms was modest at best].) Here, the
5 significant governance reforms achieved by the settlement would appear to support a substantial
6 fee award to plaintiffs. Still, plaintiffs’ counsel must submit lodestar information prior to the
7 final approval hearing so the Court can compare the lodestar information with the requested fees.
8 Plaintiffs shall also address the value to Alphabet of the reforms they achieved in connection
9 with their motion for final approval, including through the submission of an expert declaration.
10

11 VIII. Notice

12 Like a class notice, a notice of a derivative settlement should include “[a] brief
13 explanation of the case, including the basic contentions or denials of the parties.” (Cal. Rules of
14 Court, rule 3.766(d).) The notice should explain the settlement and the procedure for making an
15 objection.

16 Here, the notice and summary notice inform shareholders of the nature of the action and
17 of the settlement, and instruct them how to submit a written objection or appear at the final
18 fairness hearing without making a written objection. The full notice will be filed with the SEC
19 as an attachment to a Form 8-K and will also be posted to Alphabet’s investor relations web site,
20 as well as co-lead counsel’s web sites. The summary notice will be published in *Investor’s*
21 *Business Daily*. Alphabet will pay the costs of notice.

22 The Court finds that the proposed forms and method of notice are reasonably calculated
23 to apprise shareholders of the settlement. However, the summary notice must be modified to
24 state the amount of attorney fees and service awards that will be requested. With regard to
25 appearances at the final fairness hearing, the notices shall be modified to instruct shareholders as
26 follows:

27 Due to the COVID-19 pandemic, hearings before the judge overseeing this case
28 are currently being conducted remotely with the assistance of a third-party service
provider, CourtCall. Shareholders who wish to appear at the final fairness hearing
should contact plaintiffs’ counsel to arrange a remote appearance through

1 CourtCall, at least three days before the hearing if possible. Any CourtCall fees
2 for an appearance by an objecting shareholder shall be paid by plaintiffs' counsel.

3 Finally, the notices shall be modified to instruct shareholders that they should file any
4 written objections by November 16, 2020. With these modifications, the forms of notice to
5 shareholders are adequate and will be approved.

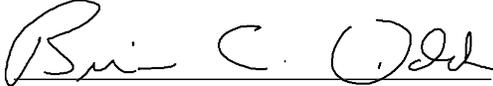
6 The parties have requested that the final fairness hearing be conducted on November 30,
7 2020. To allow for adequate notice to shareholders prior to that date, the notices shall be filed
8 and published no later than October 26, 2020. In addition, the parties shall appear for a case
9 management conference on October 22 in order to discuss with the Court any issues that might
10 impact the current schedule for final approval.

11
12 IX. Conclusion and Order

13 Plaintiffs' motion for preliminary approval is GRANTED. The final approval hearing
14 shall take place on November 30, 2020 at 1:30 p.m. in Dept. 1. The parties shall appear for a
15 case management conference on October 22, 2020 at 2:30 p.m. in Dept. 1.

16 IT IS SO ORDERED.

17 Dated: October 22, 2020

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19 Honorable Brian C. Walsh
20 Judge of the Superior Court
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