



June 17, 2022

Via electronic mail

Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: S7-10-22 (The Enhancement and Standardization of Climate-Related Disclosures for Investors)

Dear Ms. Countryman:

Amazon.com, Inc. (“Amazon”) is pleased to provide comments to the Securities and Exchange Commission on its rule proposal, Release No. 33-11042, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*. Amazon’s business includes online and physical retail, delivery and transportation logistics, grocery, entertainment, and cloud computing, among others. We directly employ 1.1 million people in the U.S., support over 1.6 million indirect jobs in the U.S., and contributed approximately \$500 billion to the U.S. GDP between 2010 and 2021.

Amazon is committed to fighting climate change. We recognize that this urgent global challenge demands collective action across all industries and sectors. We started investing in sustainability initiatives over a decade ago, and to help meet this global challenge, we co-founded The Climate Pledge in 2019, a commitment to reach net-zero carbon by 2040—10 years ahead of the Paris Agreement. We’re proud that over 300 companies have now joined us in signing the Pledge. Additionally, for the past two years, we have been the world’s largest corporate purchaser of renewable energy. We have launched transformational partnerships to establish credible carbon offsets and co-founded major efforts to focus on accelerating the decarbonization of aviation and maritime shipping. We have also committed to transparency as we work towards this ambitious goal. Each year, we publish a sustainability report that details our efforts to reach net-zero carbon. This report also includes the disclosure of Scope 1, 2, and 3 carbon emissions as described in the report. Additionally, we address our initiatives and related Board of Directors’ oversight in our annual meeting proxy statement.

We support the Commission’s objective of providing “consistent, comparable, and decision-useful information” to investors on public companies’ climate-related risks, initiatives, and metrics. The Commission’s proposed rule represents an important step to achieving this objective. And, consistent with that goal, there are several provisions of the rule proposal that we urge the Commission to further consider, clarify, and define in order to meet the Commission’s stated objective. We also note the importance of considering global consistency in climate disclosures with new standards and reporting requirements being considered and developed in the EU and a number of jurisdictions. To these ends, we recommend the below changes.

I. Regulation S-X Amendments

- **Consider requiring disclosure of actual discrete and separable climate-related expenditures, instead of “financial impacts”.**

We suggest that any required climate-related financial statement disclosures and metrics be linked to Regulation S-K disclosures and provide actual financial information. In lieu of the proposed Regulation S-X requirements,¹ which include certain unworkable elements, we believe companies would disclose more consistent and decision-useful information that is both relevant and reliable if the Commission were to **require a financial statement footnote table that presents key categories of climate-related expenditures** (example attached in Appendix A). This table would present discrete and separable expenditures, both expensed and capitalized, in three distinct categories: (1) climate-related events; (2) transition activities for publicly disclosed climate-related targets and goals, such as those included in a company’s sustainability report; and (3) all other transition activities. Companies would add subcategories as appropriate based on company-specific businesses and goals. For example, Amazon might disaggregate amounts in category 2 to separately present expenditures related to transportation, renewable energy, and carbon offsets. We also recommend that this table be accompanied by a description of how the amounts reported in the table are reflected in the financial statements.

This tabular form would promote consistent, comparable, and decision-useful disclosures. The table provides disclosure that would be consistent across all reporting companies regardless of differences among financial statement line items, would reflect actual expenditures for each year covered by the financial statements, and would align with the risks, goals, and strategies companies would disclose under proposed Regulation S-K Item 1502. As a result, investors would be able to evaluate from a financial statement perspective how companies are addressing the risks and progressing on the targets and strategies they disclose.

This approach to disclosure also has a number of advantages over the Commission’s proposed S-X rules. By aggregating expenditures by category, this table would present a comprehensive view of expenditures attributable to climate-related risks and activities identified by a company’s management. Discrete climate-related events and transition activities often affect multiple financial statement line items, so the proposed table would result in more comprehensive and complete disclosure by including the aggregate expenditures for any given event and transition activity while the accompanying narrative would indicate how those expenditures are reflected in the financial statements. In contrast, disaggregating amounts by financial statement line item as proposed by the Commission would result in varying and arbitrary disclosure thresholds depending on what line item an expenditure falls into, and therefore would result in fragmented, incomplete, inconsistent, and confusing disclosure about how a company is affected by and is addressing climate-related risks and activities. For example, applying the SEC’s proposed 1% threshold to Amazon’s 2021 consolidated financial statements results in a disclosure threshold of \$2.7 billion for “Cost of sales” but just \$600,000 for “Other operating expense (income), net”. Therefore, disclosure would not be required until transportation expenses for electric vehicles exceeded \$2.7 billion whereas disclosure of a lease impairment from a hurricane would be triggered at only \$600,000.

¹ Proposed Regulation S-X Rules 14-02(c) and (d).

By focusing on actual discrete and separable expenditures that management identifies as resulting from climate-related events or transition activities, the proposed table would align with how companies internally identify and measure these expenditures, thereby lowering the costs of compliance and facilitating integration of this reporting into companies' existing internal controls. This approach also avoids the highly subjective and speculative determinations that would occur if companies were required to report "financial impacts" as proposed, such as "Changes to revenues or costs from disruptions to business operations or supply chains" in proposed S-X Item 14-02(c)(1) and "Changes to revenue or cost due to new emissions pricing or regulations resulting in the loss of a sales contract" in proposed S-X Item 14-02(d)(1).

- **Any financial footnote reporting standard adopted by the Commission should build upon companies' existing financial reporting systems, and clearly define the standards for what is required to be disclosed.**

Regardless of whether the Commission adopts the tabular presentation we suggest or takes another approach, the Commission can enhance comparability and usefulness of the information and mitigate compliance costs by adopting rules that adhere to three key principles addressed below.

(1) Financial reporting should be based on amounts actually recorded and reported under GAAP.

Any rules should require reporting that is **based on and consistent with GAAP** financial reporting systems (or IAS standards for non-U.S. registrants). We do not believe investors would be well served, or would be provided with decision-useful information, by an approach that would require management to report on **hypothetical and immaterial amounts of revenue not received and costs not incurred that aren't reflected in the GAAP financial statements**. For example, companies do not record amounts that they did not receive due to the "loss of a sales contract" or amounts they would have spent had they chosen another alternative. Rules 14-02(c) and (d) would require companies to identify and attempt to quantify these subjective and hypothetical revenues and savings, and would require those amounts to be audited by the company's registered public accounting firm. Attempting to identify, quantify, and audit the impact of alternative actions not taken due to "severe weather events and other natural conditions" and "transition activities" would be speculative and subjective. It would also be extremely difficult, if not impossible, to isolate and quantify climate-related "financial impacts" from other macroeconomic factors, such as inflation rates, the COVID-19 pandemic, global supply chain constraints, and other global economic and geopolitical developments. Many of these factors are interrelated and have both direct and indirect impacts on companies' results of operations and financial condition. Since this type of requirement would mandate companies to gather information that is not currently collected under existing financial reporting systems, compliance would entail costly and time-consuming development of new and unique internal reporting systems and controls. It effectively would require companies to keep a **second set of accounting books** that would in many cases involve subjective and speculative amounts.

(2) The scope and meaning of key terms should be clearly defined.

The Commission should **ensure that the meanings of key terms are clearly defined** in order to promote compliance and consistency in disclosures. For example, the rule proposal does not define "severe weather events and other natural conditions," and instead simply provides a few limited examples of such events and conditions (i.e., flooding, drought, wildfires, extreme temperatures, and sea level rise). In the absence of an objective definition, companies will inevitably apply inconsistent standards to

identify those weather events and natural conditions that they deem to be “severe.” Instead of requiring companies to guess whether such events or conditions rise to the level of being “severe,” the Commission should either adopt a clear and objective definition or to the extent that there is an existing framework, provide that companies should apply the existing framework to determine what constitutes “severe” weather events or other natural conditions. In addition, the Commission’s proposed rules elsewhere use the term “extreme weather events,” raising the further question of whether such events are intended to be a subset of “severe weather events” or distinguishable from “severe weather events.”²

(3) The scope of climate-related activities should have clearly defined and manageable standards.

The Commission should **define clear and manageable standards around the scope of activities encompassed by key terms**. For example, we believe that the proposed requirement under Rule 14-02(d) to disclose the impact of “any efforts to reduce GHG emissions or otherwise mitigate exposure to transition risks”³ is unworkably broad and ambiguous. For example, if Amazon replaces all of the incandescent and fluorescent lightbulbs in a fulfillment center with LED lightbulbs because we determine that the LED bulbs have a lower cost over their expected life, while at the same time they end up reducing GHG emissions, would the cost of the LED light bulbs constitute a “transition activity” that we would need to track? If a single burned out incandescent lightbulb in a facility is replaced with an LED bulb because it is the only lightbulb on-hand, is that a transition activity? We recommend that the Commission instead require companies to track and report on transition activities that management has identified and reported on under the proposed Regulation S-K reporting requirements. This approach will both ensure that companies have appropriate controls and procedures in place to identify and track such activities and will integrate such disclosure with the narrative that will be required under the Commission’s proposed Regulation S-K amendments.

Similarly, the Commission should **clarify when a “transition” activity ends**. For example, does a company cease reporting expenditures for renewable energy once it achieves its goal of purchasing renewable energy for 100% of its energy needs or does a company have an on-going obligation to report such expenditures?

II. Regulation S-K Amendments

- **We support the inclusion of GHG intensity as a required metric.**

We believe GHG intensity is useful to provide investors with consistent, comparable, and decision-useful information, since it provides a more complete picture of a company’s actions to address climate change. It will also allow investors to assess growth companies’ progress over time in achieving emission management and reduction goals, putting in context any changes in the extent of a company’s operations. We support requiring the disclosed GHG intensity to be expressed in terms of metric tons of

² See proposed Regulation S-K Item 1500(c)(2) (acute risks “may relate to shorter term extreme weather events, such as hurricanes, floods, and tornadoes, among other events”). Two of these shorter-term weather events, hurricanes and tornadoes, are not included as examples of “severe weather events.”

³ See proposed Regulation S-X Rule 14-02(d).

CO₂e per unit of total revenue.⁴ We further believe that for many companies, a metric that is based on gross sales or gross merchandise sales will be an appropriate “unit of production” and we encourage the Commission to confirm the appropriateness of such metrics by including gross merchandise sales in a list of permissible “units of production.”

- **Provide a broader safe harbor from liability for disclosure of Scope 3 emissions.**

The Commission should provide an expanded safe harbor from liability under securities laws for both the third parties that provide emissions data and the companies that rely on and report that data when it has been produced using commercially reasonable efforts in line with industry standards. Companies are often not in a position to independently verify the information they are supplied regarding their Scope 3 emissions, since by definition they are generated from sources that are neither owned nor controlled by the company. For example, Scope 3 emissions data often involves reliance on data provided by third parties, if the data exists at all. In addition, the prospect of being identified in a public company’s filing as the source of Scope 3 emissions data and potentially liable for such information will only increase companies’ reluctance to share operational and business data necessary to determine Scope 3 emissions. Therefore, rather than the proposed standard that would require proof that a statement was made in good faith and with a reasonable basis, we suggest adopting a broader safe harbor, **such as the PSLRA safe harbor**, that is available unless a plaintiff proves that a statement was made with actual knowledge that the statement was false or misleading. Establishing a broader safe harbor would help encourage companies to provide or share emissions data with others in their value chain and further the Commission’s goal of increasing transparency with respect to companies’ emissions.

- **Scope 3 emissions should be furnished, not filed.**

We support the disclosure of Scope 3 emissions. However, Scope 3 disclosures rely on estimates and assumptions that involve inherent uncertainty. Therefore, we suggest that Scope 3 emissions disclosures be furnished and not filed. We have a very sophisticated carbon accounting system and spend a considerable amount of time and resources on calculating accurate emissions. Yet, the Scope 3 data that is available to us frequently is coarse and in some cases the data is confidential or simply doesn’t exist. The data that is available is often aggregated industry data that may be several years out of date and costly to purchase. Additionally, it is very difficult to obtain other companies’ operational or business process data to use in calculating Scope 3 emissions since collecting this information with any specificity can raise competitive concerns. Another challenge in obtaining data for Scope 3 is the lack of complete emissions models and updated emissions factors in all parts of the world. For example, when calculating Scope 3 for materials or products manufactured in India, it is necessary to gather both the energy grid mix and local emissions factors.

- **Provide greater clarity and flexibility around disclosure of Scope 3 emissions.**

The limitations and complexity of quantifying Scope 3 emissions noted above warrant the need for flexibility. Accordingly, we suggest including Scope 3 emissions only for categories of upstream or downstream activities over which a company has influence or indirect control, such as business travel. In addition, we recommend that companies have the flexibility to describe what operations or

⁴ See proposed Regulation S-K Item 1500(h).

categories are and are not included within their reported Scope 3 emissions disclosures. We also recommend aligning Scope 3 disclosure requirements with science-based targets.

- **We support the Commission’s proposal to require disclosure of Scope 1 and 2 emissions.**

We support the Commission’s proposal to require that companies report Scope 1 and 2 emissions. However, we recommend that the proposal exclude investments that qualify for the equity method of accounting from the requirements to disclose Scope 1 and 2 emissions. This would eliminate double counting of the same Scope 1 and 2 emissions in both the investor and investee disclosures. For example, under the proposed rule, we would have to include 18% of Rivian Automotive, Inc.’s (our investee) Scope 1 and 2 emissions that they would already be required to disclose in their own SEC disclosures, in our own Scope 1 and 2 reported emissions, resulting in the double counting of these same emissions. Our recommendation would also eliminate the need for companies who are not subject to these disclosure requirements from having to calculate Scope 1 and 2 emissions solely as result of being an equity method investee.

- **Make reporting by disaggregated emissions optional for all Scopes.**

We recommend that disaggregating emissions by constituent gases for reporting be optional for all three Scopes. This requirement is not currently feasible with industry standard life cycle assessment (LCA) models, such as GaBi, or background carbon datasets. This requirement will disincentivize the use of third-party validated, supplier-specific LCAs that aggregate global warming potential impacts into carbon dioxide equivalents.

- **We support the Commission’s proposal to require consistent, comparable, and decision-useful information for investors about carbon offsets.⁵**

The Intergovernmental Panel on Climate Change (IPCC) has identified carbon offsets as an important part of the climate change solution since it is not feasible to eliminate all carbon emissions today. However, we believe it is important to recognize that not all offsets on the market today instill the same degree of confidence that they represent the real, additional, permanent, properly quantified, and socially beneficial mitigation outcomes they claim to represent. Accordingly, we support the Commission’s proposal to require companies to disclose the amount of carbon reduction represented by their offsets, the source of the offsets, the nature of mitigation activities that underlie the offsets, protocols used to guide the implementation of offset projects or initiatives, and any registries or other authentication of the offsets.

- **Consider unintended consequence of requiring companies with goals and targets to disclose Scope 3 emissions.**

As noted above, Amazon and over 300 other companies have committed to The Climate Pledge or reaching net zero by 2040. All signatories have agreed to: (1) measure and report GHG emissions on a regular basis; (2) implement decarbonization strategies in line with the Paris Agreement through business changes and innovations; and (3) neutralize any remaining emissions with additional, quantifiable, real, permanent and socially beneficial offsets. The proposed rule provisions requiring

⁵ See proposed Regulation S-K Item 1502(c), Item 1506(b)(6), and Item 1506(d).

companies to disclose their Scope 3 emissions if the company has a publicly-stated target or goal that incorporates Scope 3 may inadvertently discourage companies from setting these goals. We urge the Commission to consider ways in the final rule to avoid this likely unintended consequence. We strongly believe that the more companies there are that set GHG targets and goals, the larger the impact there will be to address climate change and that the Commission's final rule should support that broader goal.

- **In the S-K regulations, consider removing overly detailed disclosure items that would not be material to assessing a company's climate change-related risks, impacts, and publicly announced strategies.**

We view disclosures regarding risks, impacts, and strategies called for under proposed Regulation S-K Item 1502(a) through (d), together with the emissions disclosures in proposed Item 1504, as the key narratives required to inform investors on the implications of climate change for public companies. We believe that consistent, comparable, and decision-useful information can best be obtained by requiring disclosures that focus on these topics and consolidating or eliminating proposed provisions that would otherwise result in information that is not material to an understanding of the risks and impacts of climate change on a company's business or the company's strategies for addressing those risks and impacts.

To advance this goal, we encourage the Commission to **apply a materiality standard to the disclosures that would be required under Item 1502(b), (c), and (d)** or, at a minimum, to require the disclosure to address the most likely and significant impacts and effects. Adoption of the disclosure requirements as proposed, without any materiality qualification, will result in extensive and possibly indiscriminate boilerplate disclosures that would be costly to prepare and of limited utility to investors. For example, while companies may be able to provide the zip code-level location and describe the nature of properties located in flood zones or water stress zones as called for under proposed Item 1502(a)(1)(i)(A) and (B), investors would have to pay consultants and specialists to analyze that information, and even then, they might not be able to evaluate the significance of the properties to a company's operations. Moreover, the location of some properties could be sensitive and could pose security risks if required to be disclosed by zip code. Thus, instead of requiring extensive, detailed, and costly disclosures of minute details regarding discrete elements of a company's operations, we believe that many investors would find consolidated information, accompanied by management's narrative assessing the material aspects of that information, to provide more decision-useful information.

- **Clarify that disclosure of the use of scenario analysis or an internal carbon price should occur when it is broadly used by senior management and the board.**

Disclosures of information regarding a company's use of analytical tools, such as scenario analysis or an internal carbon price, should be required only when they are broadly used by senior management and the board as part of their strategic planning process and when integrated and material to a publicly announced climate-change strategy or initiative. Numerous personnel and departments at public companies develop, set, or utilize scenario analyses and internal carbon prices to plan for a variety of risks. They may relate to smaller projects, may change frequently, and may be used for experimentation and iteration needed to meaningfully address climate change. In many cases, these internal goals, targets, plans, and analyses may not be used for management planning purposes at all and may never be as fully developed or documented with all the detail that the proposed rules would require. These tools can also involve competitively sensitive and proprietary information that a company would

consider business confidential information. If the Commission requires disclosure of the use of such tools, it should be done only when senior management and the board use them in decision-making.

* * *

Thank you very much for your consideration of these comments. Should you have additional questions or would like to discuss further, please contact Andrew Harris [redacted] or Teresa Christopher [redacted].

Sincerely,



Brian Huseman
Vice President, Public Policy

cc: Chair Gary Gensler
Commissioner Hester M. Peirce
Commissioner Allison Herren Lee
Commissioner Caroline A. Crenshaw

Appendix A: Sample S-X Disclosure Table

Below is an example of a financial statement footnote table that we recommend as an alternative to the proposed Regulation S-X requirements. The table presents key categories of climate-related expenditures and would provide a consistent approach for all companies.

Amazon Proposed S-X Requirements

In a tabular format, provide the information required by paragraphs (a) through (c) below for the fiscal years included in the registrant's statement of operations. The tabular presentation shall be accompanied by a footnote disclosure providing additional information necessary for users of the financial statements to evaluate the nature and financial effect of climate-related expenses and capitalized costs incurred by the registrant.

(a) Disclose the aggregate amount of discrete and separable expenses from severe weather events and the aggregate amount of discrete and separable capitalized costs to mitigate the risks from future severe weather events. Expenses means actual direct charges recorded during the periods such as long-lived asset or inventory impairments.

(b) Disclose the aggregate amount of expenses and the aggregate amount of capitalized costs incurred for discrete and separable transition activities related to the registrant's publicly disclosed GHG emissions reduction goals or other publicly disclosed climate-related goals. Disaggregate transition activities into categories suitable to reflect the registrant's business and goals.

(c) Disclose the aggregate amount of expenses and the aggregate amount of capitalized costs incurred for other discrete and separable climate-related transition activities not covered in (b), such as actual or anticipated regulatory requirements, market constraints, or other requirements established by a law, regulation, or policy. Disaggregate transition activities into categories suitable to the registrant's business.

(d) Disclosure of the aggregate amount of expenses or the aggregate amount of capitalized costs incurred pursuant to paragraphs (a) through (c) is not required if such amount is less than one percent of the total operating expenses or total additions to property, plant, and equipment and operating leases, respectively, for the relevant fiscal year.

(e) Discrete means that the expense or capitalized cost was driven primarily by climate-related considerations. Separable means that the expense or capitalized cost is not an integral component of an overall activity or asset, such as construction materials or HVAC systems in a building.

Note XX – Climate-Related Expenses and Capitalized Costs

The table below summarizes our expenses and capitalized costs related to discrete and separable climate-related initiatives.

Category	Note	Expenses			Owned and Leased Long-Lived Assets									
		Year Ended December 31,			December 31, 2020	Additions	Depreciation and Amortization	December 31, 2021	Additions	Depreciation and Amortization	December 31, 2022	Additions	Depreciation and Amortization	December 31, 2023
		2021	2022	2023										
Climate-Related Events	(1) (2)	-	-	-	-	-	-	-	-	-	-	-	-	-
Transition Activities for Publicly Disclosed Climate-Related Targets and Goals (6)														
Transportation	(3)	-	-	-	-	-	-	-	-	-	-	-	-	-
Renewable Energy	(4)	-	-	-	-	-	-	-	-	-	-	-	-	-
Carbon Offsets	(5)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Climate-Related Transition Activities (7)		-	-	-	-	-	-	-	-	-	-	-	-	-

- (1) Includes asset impairments and other costs related to warehouse damage from a tornado in Illinois in 2021.
- (2) We did not incur discrete and separable capitalized costs to mitigate risks of climate-related events for the periods presented.
- (3) Includes costs of electrifying our delivery fleet, including charging stations, other green energy vehicles and equipment such as tracks and tractors, and sustainable fuels.
- (4) Includes spend under our renewable energy purchase agreements, capitalized costs related to roof-top solar panels, and cost of unbundled (without related electricity) renewable energy certificates for the periods presented. We enter into multi-year agreements to purchase renewable energy that do not specify a fixed or minimum volume commitment and are accounted for as executory contracts by expensing the actual energy purchased each period. The future spend under these agreements will vary based on prevailing market prices and actual volume purchased.
- (5) Includes costs to purchase carbon offsets and related programs.
- (6) We have other activities that have climate-related benefits, such as building and packaging efficiencies, that are not discrete and separable and are not included in the above table.
- (7) Other climate-related expenses and capitalized costs were not material for the periods presented.