

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Sustainable Bond Framework

Amazon.com, Inc.  
10 May 2021

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>• Green, Social, and Sustainability Bonds</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>• Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG), as administered by the International Capital Market Association (ICMA)</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>• Amazon Sustainable Bond Framework (as of May 2021)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>• Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>• As long as Amazon Sustainable Bond Framework (May 2021) remains unchanged</li></ul>

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## Scope of work

1. Amazon.com, Inc. (“Amazon” or “the issuer” or “the company”) commissioned ISS ESG to assist with its Green, Social, and Sustainability Bonds by assessing Amazon’s Sustainable Bond Framework (May 2021 version) (“Framework”) against three core elements to determine its sustainability quality: whether the Framework links to Amazon’s sustainability strategy, – drawing on Amazon’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. the Framework benchmarked against the Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG), as administered by the International Capital Market Association (ICMA).
3. whether the Framework’s Use of Proceeds categories contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 2).

## ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<p><b>Part 1:</b></p> <p><b>Green, Social and Sustainability Bonds link to issuer's sustainability strategy</b></p>	<p>According to the ISS ESG Corporate Rating published on 04.01.2021, the issuer shows a high sustainability performance against the industry peer group on key ESG issues faced by the Retail sector. The issuer is rated 51<sup>st</sup> out of 254 companies within its sector. The issuer is exposed to 7 severe controversies related to labor rights (e.g. failure to respect the right to just and favorable conditions in Italy, Spain, the UK, and the US), data privacy (i.e. failure to respect consumer rights to privacy in France), and tax payment (i.e. failure to pay fair share of taxes in Luxembourg).</p> <p>The Use of Proceeds financed through those bonds are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green, Social, and Sustainability Bonds is clearly described by the issuer.</p>	<p><b>Consistent with issuer's sustainability strategy</b></p>
<p><b>Part 2:</b></p> <p><b>Alignment with GBP, SBP, and SBG</b></p>	<p>The issuer has defined a formal concept for its Green, Social, and Sustainability Bonds regarding Use of Proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBP, SBP, and SBG, as administered by the ICMA.</p>	<p><b>Aligned</b></p>
<p><b>Part 3:</b></p> <p><b>Sustainability quality of the Selection Criteria</b></p>	<p>The overall sustainability quality of the Selection Criteria in terms of sustainability benefits, risk avoidance and minimization are good based upon the ISS ESG assessment. The Green, Social, and Sustainability Bonds will (re-)finance eligible asset categories which include: Clean Transportation, Renewable Energy, Sustainable Buildings, Affordable Housing, and Socioeconomic Advancement &amp; Empowerment.</p> <p>The Use of Proceeds categories have a significant contribution to SDG 1 'No Poverty', SDG 4 'Quality Education', SDG 7 'Affordable and clean energy', SDG 8 'Decent Work and Economic Growth', SDG 11 'Sustainable cities and communities', and SDG 13 'Climate action', a limited contribution to SDG 3 'Good health and well-being'. The environmental and social risks associated with those Use of Proceeds categories have been well managed.</p>	<p><b>Positive</b></p>

<sup>1</sup> ISS ESG's evaluation is based on the Amazon's Sustainable Bond Framework (May 2021 version), on the analysed Selection Criteria as received in May 2021, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 04.01.2021).

## ISS ESG SPO ASSESSMENT

### PART I: GREEN, SOCIAL, AND SUSTAINABILITY BONDS LINK TO AMAZON'S SUSTAINABILITY STRATEGY

#### A. ASSESSMENT OF AMAZON'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
<b>AMAZON</b>	<b>RETAIL</b>	<b>2</b>	<b>VERY HIGH</b>

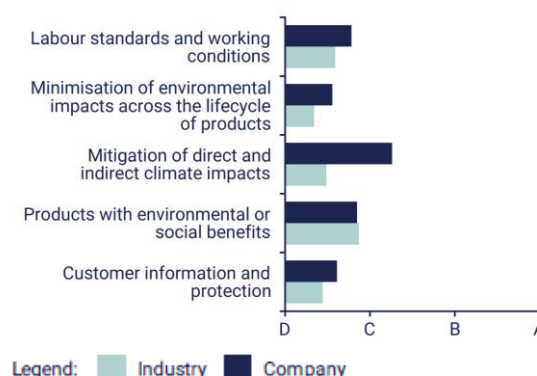
This means that the company currently shows a sustainability performance against peers on key ESG issues faced by the Retail sector and obtains a Decile Rank relative to industry group of 2, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

#### ESG performance

As of 04.01.2021, this Rating places Amazon 51<sup>st</sup> out of 254 companies rated by ISS ESG in the Retail sector.

Key challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

#### Key Issue Performance



#### Sustainability Opportunities

Amazon serves consumers through our online and physical stores and focuses on selection, price, and convenience.<sup>2</sup> The company also operates a media segment, Amazon Web Services (AWS), a cloud computing platform for data storage and analytics services, and is the parent company of the organic food retailer Whole Foods. The company's portfolio includes some products which provide an environmental benefit, such as Energy Star-certified electronics, certified organic food products through Whole Foods, or digital services such as cloud service provision through AWS. Yet, through its high degree of diversification, these presumably occupy a small revenue share. Nevertheless, the company has created a specific climate-pledge-friendly product webpage to promote such products in the US and in Europe.

<sup>2</sup> Description of the business model provided by the company.

### *Sustainability Risks*

Amazon is exposed to significant labor-related risks. To address such risks, the company is a member of the Responsible Business Alliance (RBA), and therefore adheres to strict standards related to e.g., freedom of association and non-discrimination.

However, the effective implementation of these standards seems questionable as the company is involved in several major controversies regarding its anti-union tactics in Germany and in the US. Moreover, the company was accused of poor and unsafe working conditions in several countries, most recently related to the initial outbreak of COVID-19 pandemic. Regarding its supply chain, Amazon has established a comprehensive supply chain standard and has implemented several compliance procedures. Nevertheless, the company has been involved in several supplier controversies, a major one regarding poor working conditions at several contracted delivery partners in the US. Regarding customer and product responsibility, there is little evidence on how Amazon markets its products responsibly. Additionally, Amazon has recently been the subject of lawsuits in the US regarding consumer safety involving defective products that caused injuries. Further, business ethics-related aspects are managed on a general level and the company does not demonstrate comprehensive compliance measures. In this context, Amazon has been involved in several business ethics controversies relating to corruption, anti-competitive behavior and tax avoidance in several countries, including a major one related to unpaid taxes in Luxembourg.

As an online retailer and regarding its Amazon Web Services (AWS), the protection of customer data is especially material to Amazon, for which the company has taken general measures. Yet, it remains unclear whether the information security management system of its retailing division, apart from AWS, is also certified to ISO 27001, a specific information security standard. In addition, the company was involved in controversies relating to data breach and consumer rights protection in France and the US.

In the environmental domain, the topic of climate change seems to have recently started to factor more prominently on Amazon's agenda. The company has a reasonable climate change strategy and aims to reach carbon neutrality by 2040. Additionally, Amazon is committed to set up science-based targets.<sup>3</sup> Moreover, convincing measures to increase transport efficiency and the energy efficiency of logistic hubs are evident.

Regarding the servers used both for its e-commerce and for AWS, the company's strategy focuses primarily on the use of renewable energy, and several measures to increase energy efficiency are implemented at AWS operations. Some issues in relation to the sourcing and lifecycle of products sold are also generally addressed. In this context, Amazon offers trade-in programs where customers can return used products in exchange for vouchers. In addition, Whole Foods, the company's most prominent acquisition, has taken adequate measures to ensure sustainable agricultural business practices, e.g., regarding sustainable palm oil and aquaculture.

### *Governance opinion*

Amazon's board chair (Mr. Jeffrey Bezos, as at September 14, 2020) is not independent, as he also serves as the current CEO.<sup>4</sup> Yet, an independent lead director ensures the separation between managerial and supervisory functions. Additionally, the majority of board members are independent,

<sup>3</sup> Amazon has committed to set up a science-based targets with the [Science Base Targets Initiative](#).

<sup>4</sup> In Q3 2021, Jeff Bezos will transition to Executive Chair of the Amazon Board and Andy Jassy will become CEO.  
<https://www.aboutamazon.com/news/company-news/email-from-jeff-bezos-to-employees>

and fully independent board committees in charge of the audit, nomination, and remuneration have been set up. Amazon discloses its remuneration policy for executives, including long-term components, which could incentivize sustainable value creation.

Regarding the governance of sustainability, the nomination and corporate governance committee is responsible for Amazon's environmental and sustainability policies and initiatives. Yet, it remains unclear whether ESG targets are integrated into executives' compensation schemes. Amazon's code of business conduct and ethics targets several topics, such as corruption or antitrust violations, but does not provide detailed guidance. To ensure the compliance with the code, general trainings, non-compliance reporting and whistleblower protection are in place, but there is no evidence of further compliance procedures. In 2017, the company was involved in a major controversy and was ordered to repay taxes based on an illegal tax deal granted by Luxembourg authorities. In general, the company is facing allegations of using controversial tax practices to avoid paying taxes globally. In 2019 and in 2020, Amazon became under the scrutiny of competition authorities in several countries due to the company's anti-competitive behavior giving e.g., preference to certain merchants or unfair clauses with third-party sellers.

### *Sustainability impact of products and services portfolio*

Using a proprietary methodology, ISS ESG assessed the contribution of Amazon's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along Amazon's production process. As Amazon's main activity is to sell a broad catalogue of general merchandises online, ISS considers that Amazon's overall products and services portfolio has no net impact on UN SDGs.

### *Breaches of international norms and ESG controversies*

The company is exposed to 7 severe controversies related to labor rights, data privacy, and tax payment:

- **Labor Rights: 5 severe controversies relating to alleged failures to respect the right to just and favorable conditions of work.** These include allegations that the company is operating "a high-pressure labor model" which is undermining employees' union rights and exposing workers to poor and unsafe working conditions across its global operations. Amazon is facing repeated allegations in the media, as well as by local and international unions and stakeholders, raised most recently in March 2020, that its business model exposes its workers to "brutal, high pressure, dangerous and even deadly work" in several countries. According to the global trade union federation UNI Global Union and its local union affiliates, workers in Amazon's distribution centers as well as delivery drivers are subjected to excessive workloads, constant surveillance and extreme pressure to meet performance targets, often resulting in physical injuries and mental exhaustion, and sparking repeated industrial action across the company's European operations. Amazon is also facing criticism for its excessive use of temporary and subcontracted labor, allegedly to avoid its responsibility to pay adequate wages and benefits.
- **Data privacy: 1 severe controversy related to failure to respect consumers' right to privacy in France.** In December 2020, the French Commission on Information Technology and Liberties (CNIL) imposed a €35 million fine on Amazon.com, Inc. for violating the

French Data Protection Act. According to CNIL's previously undisclosed investigation that ran between December 2019 and May 2020, Amazon was automatically placing tracking cookies on users' computers without prior consent or sufficient information. Some of these cookies were used for targeted advertising on millions of users who visited the amazon.fr website. As per the authority, Amazon redesigned its page, and stopped the automatic placement of tracking cookies on users' computers without consent in September 2020. However, CNIL stated that a new information banner does not provide adequate information on how the cookies are used for personalized advertising and how users can opt out. The CNIL gave Amazon until March 2021 to adequately inform users or risk being fined €100,000 per day, until the violation is corrected. Amazon was cited by media stating that it disagreed with CNIL's decision and maintains its commitment to data privacy and protection. According to media, the company is expected to file an appeal. ISS ESG remains vigilant of the company's remediation measures to address the violations noted by CNIL.

- **Tax payment: 1 severe controversy related to failure to pay fair share of taxes in Luxembourg.** In October 2017 the European Commission (the Commission) ordered Luxembourg to collect €250 million in unpaid taxes from Amazon EU Sarl, Amazon.com, Inc. (Amazon)'s Luxembourg subsidiary, after ruling that the company was given illegal tax advantages by the state. According to the Commission, the tax deal granted exclusively to Amazon EU by Luxembourg authorities let almost three-quarters of the company's profits go untaxed. As a result, the company's tax bill was reduced by €250 million for the period of 2006-2014 and allowed the company to pay four times less tax than other local companies subject to the same national tax rules. In its 2018 annual report, Amazon stated that Luxembourg appealed the Commission's decision in December 2017, followed by the company's appeal in May 2018. Amazon further disclosed it had deposited €250 million "into escrow in March 2018, subject to adjustment pending conclusion of all appeals". The company's Quarterly Report to the United States Securities and Exchange Commission filed in October 2019, confirms that the appeal is on-going along with the company's reiterated view that the Commission's decision is without merit.



## B. CONSISTENCY OF GREEN, SOCIAL AND SUSTAINABILITY BONDS WITH AMAZON'S SUSTAINABILITY STRATEGY

### *Key sustainability objectives and priorities defined by the issuer*

Amazon's key sustainability commitments include:

- Net Zero Carbon – Deploying technology and people to reach net zero carbon across Amazon by 2040, one decade ahead of the Paris Agreement.
- 100,000 Electric Delivery Vehicles – Purchasing 100,000 electric delivery vehicles, the largest order ever of electric delivery vehicles.
- 100% Renewable Energy – On a path to powering its operations with 100% renewable energy by 2025.
- Shipment Zero – Making all Amazon shipments net zero carbon through Shipment Zero, with a goal of delivering 50% of all shipments with net zero carbon by 2030.
- Climate Pledge Fund – Investing to support the scalability and development of technologies and services that facilitate the transition to a low-carbon economy.
- Right Now Climate Fund – Investing in nature-based solutions, which include conservation, restoration, and improved land management actions that increase carbon storage or avoid greenhouse gas emissions in forests, wetlands, and grasslands across the globe.
- Affordable Housing – Supporting innovative housing affordability initiatives.
- Advancement and Empowerment – Increasing opportunities for underrepresented groups to enter the technology workforce and launching, scaling and investing in skills training programs.

### *Rationale for issuance*

Amazon's Framework will allow the company the opportunity to issue Green, Social and Sustainability bonds. Through the issuance of Green, Social and Sustainability bonds by Amazon, the company aims to finance green and social projects that align with the sustainability priorities listed above.

### *Contribution of Use of Proceeds categories to sustainability objectives and priorities*

ISS ESG mapped the Use of Proceeds categories financed under the Sustainable Bond Framework with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Retail sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Clean Transportation	✓	✓	Contribution to a material objective
Renewable Energy	✓	✓	Contribution to a material objective

<b>Sustainable Buildings</b>	✓	✓	Contribution to a material objective
<b>Socioeconomic Advancement &amp; Empowerment</b>	✓	✓	Contribution to a material objective
<b>Affordable Housing</b>	✓	-	Contribution to a non-material objective

While Affordable Housing is not considered a key industry challenge for the Retail Industry, this eligible category supports one of Amazon’s main sustainability objectives as it promotes economic inclusion and supports the stability and economic mobility of moderate- and low-income families in specific regions in which Amazon operates (the Puget Sound region<sup>5</sup>, Arlington<sup>5</sup>, and Nashville<sup>6</sup>).

**Opinion:** *ISS ESG finds that the Use of Proceeds financed through this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing Green, Social, and Sustainability Bonds is clearly described by the issuer.*

<sup>5</sup> Amazon’s two main headquarters are located in the Puget Sound region, Washington (Amazon employs around 75,000 people across its facilities in the area) and in Arlington, Virginia (Amazon already employs 10,000 people in Virginia and plans to add 25,000 new jobs in the Virginia and DC metro area).

<sup>6</sup> Amazon will bring its new Operations Center of Excellence to downtown Nashville and create 5,000 jobs in the city.

## PART II: ALIGNMENT WITH ICMA’S GBP, SBP, AND SBG

### 1. Use of Proceeds

“Eligible Projects” are investments and expenditures, including private equity investments, loans, and other financing structures, made by Amazon or any of its subsidiaries from the issuance date of any Green, Social, and Sustainability Bonds and including the 24 months prior to any such issuance that meet the eligibility criteria outlined below:

Green Eligible Project Category	Eligibility Criteria and Example Projects	Sustainable Development Goal (SDG) <sup>7</sup>
<b>Clean Transportation</b>	<p>Expenditures related to the design, development, construction, maintenance, and operation of electric and alternative vehicles and related infrastructure. Example projects may include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Acquisition of electric vehicles for transportation fleets.<sup>8, 9, 10</sup></li> <li>• Acquisition of electric alternative delivery vehicles such as e-bikes, electric three-wheelers and pedal-assist electric bikes connected to cargo trailers.<sup>11</sup></li> <li>• Installation of electric vehicle charging stations.<sup>12</sup></li> <li>• Private equity investments in clean transportation, where a minimum of 90% of the company’s revenues are derived from clean transportation.<sup>13</sup></li> </ul>	<p>9 — Industry, Innovation and Infrastructure</p> <p>13 — Climate Action</p>
<b>Renewable Energy</b>	<p>Expenditures related to the construction, development, acquisition, maintenance, and operation of renewable energy generation (solar and wind<sup>14</sup>), as well as renewable energy storage projects.<sup>15</sup> Example projects may include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• On-site renewable energy projects and storage installations.<sup>16</sup></li> <li>• Renewable energy power purchase agreements (PPAs).</li> <li>• Investments in utility programs that add new renewable energy to the grid.</li> </ul>	<p>7 — Affordable and Clean Energy</p> <p>9 — Industry, Innovation, and Infrastructure</p> <p>11 — Sustainable Cities and Communities</p> <p>13 — Climate Action</p>

<sup>7</sup> According to Amazon own mapping. ISS ESG evaluation of the potential impact of the Use of Proceeds categories on relevant SDGs using its proprietary methodology has been displayed in section III.A. of this report.

<sup>8</sup> <https://www.aboutamazon.com/news/transportation/amazons-custom-electric-delivery-vehicles-are-starting-to-hit-the-road>

<sup>9</sup> <https://www.aboutamazon.com/news/sustainability/mercedes-benz-joins-the-climate-pledge>

<sup>10</sup> <https://blog.aboutamazon.in/operations/amazon-india-partners-with-mahindra-electric-to-help-fulfil-its-commitment-towards-electric-mobility>

<sup>11</sup> <https://www.aboutamazon.com/news/transportation/introducing-amazons-first-custom-electric-delivery-vehicle>

<sup>12</sup> <https://www.aboutamazon.com/news/transportation/introducing-amazons-first-custom-electric-delivery-vehicle>

<sup>13</sup> <https://media.rivian.com/rivian-announces-2-5-billion-investment-round/>

<sup>14</sup> <https://sustainability.aboutamazon.com/about/around-the-globe?energyType=true>

<sup>15</sup> <https://www.aboutamazon.com/news/sustainability/amazon-becomes-the-worlds-largest-corporate-purchaser-of-renewable-energy>

<sup>16</sup> <https://www.aboutamazon.com/news/sustainability/amazon-is-making-big-global-investments-in-renewable-energy>

<p><b>Sustainable Buildings</b></p>	<p>Expenditures related to the design, construction, and improvements of real estate projects that have received or are expected to receive third-party sustainable certifications or verification, such as LEED Gold or Platinum, BREEAM Excellent or Outstanding, ILFI Zero Carbon, or equivalent certification.<sup>17</sup></p> <p>Expenditures related to sustainability in the design, construction, acquisition, maintenance and improvement of Amazon buildings (including data centers). Example projects may include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Design and retrofit of buildings to reduce energy, water and waste. For example, Amazon’s second headquarters in Arlington, Virginia will include an all-electric central heating and cooling system that will be run on 100% renewable energy.<sup>18</sup> When possible, AWS incorporates direct evaporative technology for cooling data centers, significantly reducing energy and water consumption.<sup>19</sup> In India, many of its fulfillment centers have the ability to collect and recycle water on-site. Amazon does this with rainwater collection tanks or recharge wells, which send water back into aquifers, and in-house sewage treatment plants, making it possible to reuse water for flushing and gardening. Amazon has also implemented waterless urinals in its fulfillment and sort centers along with water restrictors for taps and water efficient faucets.<sup>20</sup></li> <li>• Private equity investments in companies who derive more than 90% of revenue from technologies that advance progress towards zero carbon buildings. For example, low embodied carbon concrete for construction projects.<sup>21</sup></li> </ul>	<p>9 — Industry, Innovation, and Infrastructure</p> <p>11 — Sustainable Cities and Communities</p> <p>13 — Climate Action</p>
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<sup>17</sup> <https://www.aboutamazon.com/news/amazon-offices/the-next-chapter-for-hq2-sustainable-buildings-surrounded-by-nature>

<sup>18</sup> <https://www.aboutamazon.com/news/amazon-offices/the-next-chapter-for-hq2-sustainable-buildings-surrounded-by-nature>

<sup>19</sup> <https://sustainability.aboutamazon.com/environment/the-cloud/data-centers>

<sup>20</sup> <https://sustainability.aboutamazon.com/about/around-the-globe/india>

<sup>21</sup> <https://press.aboutamazon.com/news-releases/news-release-details/amazon-announces-first-recipients-investments-2-billion-climate>

Social Eligible Project Category	Eligibility Criteria and Example Projects	Sustainable Development Goal (SDG) <sup>22</sup>
<b>Affordable Housing</b>	<p>Expenditures related to the development, construction, acquisition, and financing of affordable housing units.<sup>23</sup></p> <p>Example projects may include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Financing structures to support the preservation and development of housing units.<sup>24</sup></li> </ul> <p><b>Target Population:</b></p> <p>Low to moderate income households making between 30% and 80% of the area’s median income.</p>	<p>1 — No Poverty</p> <p>11 — Sustainable Cities and Communities</p>
<b>Socioeconomic Advancement &amp; Empowerment</b>	<p>Expenditures related to launching, scaling, and investing in upskilling training programs. Example projects may include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Providing Amazon employees access to the education and training for jobs either at Amazon or elsewhere in their communities.<sup>25</sup></li> <li>• Offering cloud computing and machine learning skills development and training programs for unemployed and underemployed individuals.<sup>26</sup></li> <li>• Creating opportunities for employees to participate in upskilling programs focused on enabling career transitions and development.<sup>27</sup></li> </ul> <p><b>Target population:</b></p> <ul style="list-style-type: none"> <li>• 100,000 employees.<sup>28</sup></li> <li>• Unemployed or underemployed individuals.<sup>29</sup></li> <li>• Individuals with high school diplomas or GEDs.<sup>30</sup></li> <li>• Children and young adults from underserved and underrepresented communities.<sup>31</sup></li> </ul>	<p>4 — Quality Education</p> <p>8 — Decent Work and Economic Growth</p> <p>10 — Reduced Inequalities</p>

The examples of projects noted above are for illustrative purposes only and no assurance can be provided that disbursements for projects with these specific characteristics will be made by Amazon

<sup>22</sup> According to Amazon own mapping, ISS ESG evaluation of the potential impact of the Use of Proceeds categories on relevant SDGs using its proprietary methodology has been displayed in section III.A. of this report.

<sup>23</sup> <https://www.aboutamazon.com/news/community/amazon-launches-2-billion-housing-equity-fund-to-preserve-and-create-over-20-000-affordable-homes>

<sup>24</sup> <https://www.washingtonhousingconservancy.org/news/whc-first-property>

<sup>25</sup> <https://www.amazoncareerchoice.com/home>

<sup>26</sup> <https://www.aboutamazon.com/news/workplace/amazon-to-help-29-million-people-around-the-world-grow-their-tech-skills-with-free-cloud-computing-skills-training-by-2025>

<sup>27</sup> <https://www.aboutamazon.com/news/workplace/amazon-helps-employees-become-software-engineers-in-9-months>

<sup>28</sup> In July 2019, Amazon committed \$700 million to provide 100,000 employees, roughly a third of its US workforce at the time, with access to upskilling programs through 2025. These training programs include Amazon Technical Academy, Associate2Tech, Machine Learning University, Career Choice, Amazon Apprenticeship, and AWS Training and Certification.

<sup>29</sup> <https://aws.amazon.com/training/restart/>

<sup>30</sup> <https://www.aboutamazon.com/news/workplace/amazon-helps-employees-become-software-engineers-in-9-months>

<sup>31</sup> <https://www.amazonfutureengineer.com/>

or any of its subsidiaries. Amazon will not knowingly allocate proceeds from the issuance of its Green, Social, and Sustainability Bonds to greenhouse gas intensive projects inconsistent with the delivery of a low carbon economy or activities involving exploitation of human rights. The issuer will allocate projects as soon as practicable.

**Opinion:** ISS ESG considers the Use of Proceeds description provided by Amazon's Sustainable Bond Framework as aligned with the GBP, SBP and SBG. The eligible categories are aligned with the broader strategy of the issuer toward sustainability and support SDG 1 'No Poverty', SDG 3 'Good health and well-being', SDG 4 'Quality Education', SDG 7 'Affordable and clean energy', SDG 8 'Decent Work and Economic Growth', SDG 11 'Sustainable cities and communities', and SDG 13 'Climate action' according to ISS proprietary methodology'.

## 2. Process for Project Evaluation and Selection

Amazon regularly analyzes environmental and social impacts of its businesses and assess how it can positively contribute to and manage impacts on the many communities in which Amazon operates across the United States and the world. Representatives from Amazon's Sustainability, Legal, Treasury, and Finance teams will evaluate and select Eligible Projects and, at least annually, assess their performance in compliance with this Framework.

**Opinion:** ISS ESG considers the Process for Project Evaluation and Selection description provided by Amazon's Sustainable Bond Framework as aligned with the GBP, SBP and SBG. A team of relevant and diverse stakeholders are involved in the selection process.

## 3. Management of Proceeds

The Finance department will track the amount of net proceeds from the sale of any Green, Social, and Sustainability Bonds allocated to Eligible Projects. Pending allocation, an amount equal to the net proceeds from the sale of any Green, Social, and Sustainability Bonds may be held in accordance with its internal investment policy, temporarily invested in cash, cash equivalents, and/or high-quality marketable securities. In the case of divestment or if a project no longer meets the eligibility criteria listed above, Amazon intends to reallocate the funds to other Eligible Projects during the term of the relevant bond. Any payment of principal and interest on any Green, Social, and Sustainability Bonds will be made from its general corporate account and will not be linked to the performance of any Eligible Project.

**Opinion:** ISS ESG finds that Management of Proceeds proposed by Amazon's Sustainable Bond Framework is well aligned with the GBP, SBP and SBG. The proceeds are appropriately tracked, and the temporary investments are disclosed. Back-up options are subject to the same eligibility criteria, which is considered best market practice.

## 4. Reporting

### Allocation Reporting

Annually, until full allocation of the net proceeds from the sale of any Green, Social, and Sustainability Bonds, and on a timely basis in case of material developments, Amazon will publish a report that will include:

- (i) the amount of net proceeds from the sale of any Green, Social, and Sustainability Bonds that have been allocated to one or more Eligible Projects either individually or by category, subject to confidentiality considerations;

- (ii) a list of Eligible Projects at such level of detail as Amazon deems practicable based on commercial, confidentiality and other relevant considerations;
- (iii) expected impact metrics, where feasible; and
- (iv) the outstanding amount of net proceeds from the sale of any Green, Social, and Sustainability Bonds yet to be allocated to Eligible Projects at the end of the reporting period.

### Impact Reporting

Examples of the impact metrics that may be included in any report the issuer publishes may include:

Project category	Example Impact Metrics
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>• Number of EV charging ports installed for Amazon’s transport fleets.</li> <li>• Number of orders transported in zero-emissions delivery vehicle or by a delivery associate on foot or on bicycle.</li> </ul>
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Renewable energy capacity commitments (MW).</li> </ul>
<b>Sustainable Buildings</b>	<ul style="list-style-type: none"> <li>• Square footage built that is Gold or Platinum LEED-certified.</li> </ul>
<b>Affordable Housing</b>	<ul style="list-style-type: none"> <li>• Number of families/individuals benefitting from affordable housing (also using SAHF Outcome Metrics).<sup>32</sup></li> <li>• Number of affordable housing units constructed/preserved.</li> </ul>
<b>Socioeconomic Advancement &amp; Empowerment</b>	<ul style="list-style-type: none"> <li>• Number of individuals or employees participating in upskilling programs or graduating from Career Choice.</li> </ul>

**Opinion:** ISS ESG finds that the reporting proposed by Amazon’s Sustainable Bond Framework is aligned with the GBP, SBP and SBG. The issuer has clearly defined the scope and level of reporting, and reports will be publicly available and developed annually until net proceeds are fully allocated.

### External review

#### Second Party Opinion

Amazon has obtained a Second Party Opinion (“SPO”) from a consultant with recognized environmental and social expertise to provide an opinion on the environmental and social benefits of this Framework as well as the alignment to the GBP and SBP. The SPO will be available on the SPO provider’s website.

#### Assurance

Amazon expects that its report will be accompanied by (i) assertions by Amazon’s management as to the amount of the net proceeds from the sale of any Green, Social or Sustainability Bonds that have been allocated to Eligible Projects; (ii) a report from an independent accountant or an independent third party consultant with experience in ESG research and analysis.

<sup>32</sup> [https://sahfnet.org/sites/default/files/uploads/sahf\\_outcomes\\_initiative\\_measures\\_1-pager\\_0.pdf](https://sahfnet.org/sites/default/files/uploads/sahf_outcomes_initiative_measures_1-pager_0.pdf)

## PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE


### A. CONTRIBUTION OF THE ELIGIBLE CATEGORIES TO THE UN SDGs

Based on the assessment of the sustainability quality of the eligible categories and using a proprietary methodology, ISS ESG assessed the contribution of the Amazon's Green, Social and Sustainability Bonds to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

<b>Significant Obstruction</b>	<b>Limited Obstruction</b>	<b>No Net Impact</b>	<b>Limited Contribution</b>	<b>Significant Contribution</b>
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Each of the Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<b>Eligible Green Activities</b>		
<b>Renewable Energy</b>		
<b>Renewable energy (wind and solar)<sup>33</sup></b>	<b>Significant Contribution</b>	 
<b>Sustainable Buildings</b>		
<b>Sustainable Buildings (including design and retrofit of buildings to reduce energy, water and waste)<sup>34</sup></b>	<b>Significant Contribution</b>	
<b>Eligible Social Activities</b>		
<b>Affordable Housing</b>		
<b>Development, construction, acquisition, and financing of affordable housing units</b>	<b>Significant Contribution</b>	 
<b>Socioeconomic Advancement &amp; Empowerment</b>		
<b>Expenditures related to launching, scaling, and investing in upskilling training programs</b>	<b>Significant Contribution</b>	 

<sup>33</sup> On-site renewable energy projects and storage installations / Renewable energy power purchase agreements (PPAs) / Investments in utility programs that enable new renewable energy to the grid.

<sup>34</sup> Expenditures related to design, construction and improvements of real estate projects that have received or are expected to receive third-party sustainable certifications or verification, such as LEED Gold or Platinum, or equivalent certification / Expenditures related to sustainability in the design, construction, acquisition, maintenance and improvement of Amazon buildings / Private equity investments in companies who derive more than 90% of revenue from technologies that advance progress towards zero carbon buildings.



**Clean Transportation**

**Electric vehicles<sup>35</sup>**

**Limited contribution**



**Acquisition of electric alternative delivery vehicles such as e-bikes, electric three-wheelers and pedal-assist electric bikes connected to cargo trailers**

**Limited contribution**



<sup>35</sup> Acquisition of electric vehicles for transportation fleets / Installation of electric vehicle charging stations / Private equity investments in clean transportation where a minimum of 90% of the company's revenues are derived from clean transportation.

## B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE ELIGIBLE CATEGORIES

### Key performance indicators (KPIs) covering both Green and Social activities

#### ASSESSMENT AGAINST ISS ESG KPI

##### Labor and Health & Safety

- While Amazon is committed to respect and uphold internationally recognized human rights through the ethical treatment of its workforce and those within its whole value chain, measures in place are not considered sufficient to fully ensure the implementation of such policies. Indeed, the company is currently facing controversies relating to alleged failures to respect the right to just and favorable conditions of work
- [\(please see section 1 of this report for more details\)](#).

Amazon's approach to human rights is informed by international standards. Amazon respects and supports the Core Conventions of the International Labour Organization (ILO), the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Universal Declaration of Human Rights.<sup>36</sup>

### Key performance indicators (KPIs) specific to Green activities

#### ASSESSMENT AGAINST ISS ESG KPI

##### Dialogue with local communities

- ✓ An Environmental Impact Assessment is completed for all infrastructure projects financed by Amazon. This assessment includes dialogue with local communities (e.g. community meetings, public requests for comments, meetings with local leaders).

##### Waste Management & Pollution Prevention

- ✓ Amazon implemented a lifecycle assessment (LCA) model at the company level that must reduce waste management and pollution prevention risks related to the projects financed under this Framework (e.g., recycling of lithium from Electric Vehicles).

##### Biodiversity

- An Environmental Impact Assessment is completed for all infrastructure projects financed by Amazon. However, limited information is available regarding the way potential biodiversity impacts are evaluated in the EIA and, then, mitigated.

##### Users safety (Sustainable Buildings)

- ✓ According to the issuer, all of the Amazon's buildings have measures in place to ensure building users safety (e.g. fire alarms, passive fire protection, emergency exits and lightning, evacuation procedures).

<sup>36</sup> <https://sustainability.aboutamazon.com/people/human-rights/principles>

### Water use minimization in buildings (including data centers)

- ✓ Amazon has developed multiple initiatives to improve its water use efficiency and reduce the use of potable (drinking) water for cooling data centers. Moreover, Amazon is working to improve the resource efficiency of its buildings beyond energy, with a focus on water and waste reduction strategies across all its facilities.

### Data protection

- The company has a strong data protection policy in place. According to those policies, customers maintain ownership of their content and Amazon cannot access or use customers' content for any purpose without their consent.<sup>37</sup> However, measures in place are not considered sufficient to fully ensure the implementation of such policies. Indeed, recently, the company faced a controversy to respect consumers' right to privacy in France ([please see section 1 of this report for more details](#)).

## Key performance indicators (KPIs) specific to Social activities

### ASSESSMENT AGAINST ISS ESG KPI

#### Inclusion

- ✓ The issuer implemented specific measures to promote inclusion and non-discriminatory access internally. Projects financed by Amazon under both the Affordable Housing and the Socioeconomic Advancement & Empowerment categories target well described underserved population.

#### Users safety (affordable housing)

- ✓ All the assets financed under the affordable housing category of this Framework are / will be located in the US. National legislations ensure operational safety (e.g. emergency and safety measures, exits, fire sprinklers, fire alarm systems).<sup>38</sup>

<sup>37</sup> [https://aws.amazon.com/compliance/data-privacy-faq/?nc1=h\\_ls](https://aws.amazon.com/compliance/data-privacy-faq/?nc1=h_ls)

<sup>38</sup> [https://www.osha.gov/pls/oshaweb/owastand.display\\_standard\\_group?p\\_part\\_number=1926&p\\_toc\\_level=1](https://www.osha.gov/pls/oshaweb/owastand.display_standard_group?p_part_number=1926&p_toc_level=1)

## DISCLAIMER

1. Validity of the SPO: As long of Amazon Sustainable Bond Framework (May 2021) remains unchanged.
2. ISS ESG uses a scientifically based rating concept to analyze and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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## ANNEX 1: Methodology

### ISS ESG Green, Social and Sustainability Bond KPIs

The ISS ESG Green, Social and Sustainability Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the Use of Proceeds of Amazon’s Green, Social and Sustainability Bonds.

It comprises firstly the definition of the Use of Proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

### Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green, Social and Sustainability Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green, Social and Sustainability Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Amazon (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

### Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Amazon’s Green, Social and Sustainability Bonds contributes to related SDGs.

## ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

## Amazon.com, Inc.

### Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

**ESG Corporate Rating** - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

**Analyst Opinion** - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

**Norm-Based Research - Severity Indicator** - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

**Decile Rank** - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best - company's rating is in the first decile within its industry) to 10 (lowest - company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

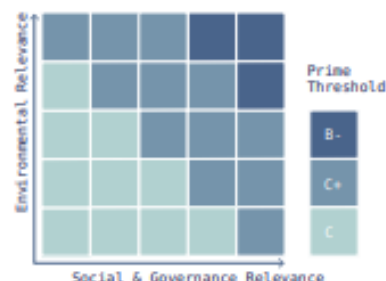
**Distribution of Ratings** - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

## Amazon.com, Inc.

### Methodology - Overview

**Industry Classification** - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



**Industry Leaders** - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

**Key Issue Performance** - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

**Performance Score** - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

**Rating History** - Development of the company's rating over time and comparison to the average rating in the industry.

**Rating Scale** - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

**Sources of Information** - A selection of sources used for this report is illustrated in the annex.

**Status & Prime Threshold** - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

**Transparency Level** - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.



## ANNEX 3: Quality management processes

### SCOPE

Amazon commissioned ISS ESG to compile a Green, Social and Sustainability Bonds SPO. The Second Party Opinion process includes verifying whether the Sustainable Bond Framework aligns with the GBP, SBP and SBG and to assess the sustainability credentials of its Green, Social and Sustainability Bonds, as well as the issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA's GBP, SBP and SBG
- ISS ESG KPI set

### ISSUER'S RESPONSIBILITY

Amazon's responsibility was to provide information and documentation on:

- Framework
- Asset pool / Eligibility criteria
- Documentation of ESG risks management at the asset level

### ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green, Social and Sustainability Bonds to be issued by Amazon based on ISS ESG methodology and in line with the ICMA GBP, SBP and SBG.

The engagement with Amazon took place in April/May 2021.

### ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing Sustainability Bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For Information about SPO services, contact:

**Federico Pezzolato**

SPO Business Manager EMEA/APAC

[Federico.Pezzolato@isscorporatesolutions.com](mailto:Federico.Pezzolato@isscorporatesolutions.com)

+44.20.3192.5760

**Miguel Cunha**

SPO Business Manager Americas

[Miguel.Cunha@isscorporatesolutions.com](mailto:Miguel.Cunha@isscorporatesolutions.com)

+1.917.689.8272

For Information about this Green, Social and Sustainability Bonds SPO, contact: [SPOOperations@iss-esg.com](mailto:SPOOperations@iss-esg.com)

### Project team

**Project lead**

Melanie Comble  
Sr. Associate  
Head of SPO Operations

**Project support**

Oriana Mansur  
Analyst  
ESG Consultant

**Project supervision**

Viola Lutz  
Associate Director  
Deputy Head of Climate Services