PROXY PAPER

AMAZON.COM, INC.

GLASS LEWIS

NASDAQ: **AMZN**

ISIN: **US0231351067**

MEETING DATE: 21 MAY 2025

RECORD DATE: 27 MARCH 2025

PUBLISH DATE: 01 MAY 2025

COMPANY DESCRIPTION

Amazon.com, Inc. engages in the retail sale of consumer products, advertising, and subscriptions service through online and physical stores in North America and internationally.

INDEX MEMBERSHIP: DOW JONES INDUSTRIAL AVERAGE; NASDAQ COMPOSITE; RUSSELL TOP 200; DOW JONES COMPOSITE AVERAGE; S&P 500; RUSSELL 1000; RUSSELL 3000; S&P 100; NASDAQ-100; S&P GLOBAL 100

SECTOR: CONSUMER DISCRETIONARY

INDUSTRY: BROADLINE RETAIL

COUNTRY OF TRADE: UNITED STATES

COUNTRY OF INCORPORATION: UNITED STATES

HEADQUARTERS: WASHINGTON

VOTING IMPEDIMENT: NONE

2025 ANNUAL MEETING

PROPOSAL	ISSUE	BOARD	GLASS LEWIS	CONCERNS
1.00	Election of Directors	FOR	**FOR**	
1.01	Elect Jeffrey P. Bezos	FOR	**FOR**	
1.02	Elect Andrew R. Jassy	FOR	**FOR**	
1.03	Elect Keith B. Alexander	FOR	**FOR**	
1.04	Elect Edith W. Cooper	FOR	**FOR**	
1.05	Elect Jamie S. Gorelick	FOR	**FOR**	
1.06	Elect Daniel P. Huttenlocher	FOR	**FOR**	
1.07	Elect Andrew Y. Ng	FOR	**FOR**	
1.08	Elect Indra K. Nooyi	FOR	**FOR**	
1.09	Elect Jonathan J. Rubinstein	FOR	**FOR**	
1.10	Elect Brad D. Smith	FOR	**FOR**	
1.11	Elect Patricia Q. Stonesifer	FOR	**FOR**	
1.12	Elect Wendell P. Weeks	FOR	**FOR**	
2.00	Ratification of Auditor	FOR	**FOR**	
3.00	Advisory Vote on Executive Compensation	FOR	**FOR**	

4.00	Shareholder Proposal Regarding Separation of CEO and Chair Positions	AGAINST	**FOR**	• **A non-executive chair is better able to oversee the executives of a company and set a pro-shareholder agenda**
5.00	Shareholder Proposal Regarding Report on Risk from Discriminatory Ad Policies	AGAINST	**AGAINST**	
6.00	Shareholder Proposal Regarding Disclosure of Material Scope 3 Emissions	AGAINST	**AGAINST**	
7.00	Shareholder Proposal Regarding Climate Commitments and AI Data Centers	AGAINST	**AGAINST**	
8.00	Shareholder Proposal Regarding Third-Party Assessment of Board Oversight of AI	AGAINST	**AGAINST**	
9.00	Shareholder Proposal Regarding Report on Plastic Packaging	AGAINST	**AGAINST**	
10.00	Shareholder Proposal Regarding Report on Working Conditions	AGAINST	**FOR**	• **Additional, independent scrutiny on the Company's working conditions is warranted**
11.00	Shareholder Proposal Regarding Report on Risk of AI Data Sourcing	AGAINST	**FOR**	• **Additional disclosure will better allow shareholders to understand the Company's management of AI-related risks**

POTENTIAL CONFLICTS

As of October 2021, U.S. and Canadian companies are eligible to purchase and receive Equity Plan Advisory services from Glass Lewis Corporate, LLC ("GLC"), a Glass Lewis affiliated company. More information, including whether the company that is the subject of this report used GLC's services with respect to any equity plan discussed in this report, is available to Glass Lewis' institutional clients on Viewpoint or by contacting compliance@glasslewis.com. Glass Lewis maintains a strict separation between GLC and its research analysts. GLC and its personnel did not participate in any way in the preparation of this report.

DISCLOSURE NOTES

EXPLANATION FOR REPUBLICATION: 14 May 2025. We have updated Proposal 7 to include a link to an exempt solicitation. No other changes have been made as a result.

ENGAGEMENT ACTIVITIES

Glass Lewis held the following engagement meetings within the past year:

ENGAGED WITH	MEETING DATE	ORGANIZER	TYPE OF MEETING	TOPICS DISCUSSED
Issuer	26 February 2025	Issuer	Teleconference/Web-Meeting	Board Composition and Performance,Executive Pay,GL Policy,Shareholder Proposal,Human Capital Management
Shareholder Proponent	27 February 2025	Shareholder Proposal Proponent	Teleconference/Web-Meeting	Shareholder Proposal
Shareholder Proponent	10 March 2025	Shareholder Proposal Proponent	Teleconference/Web-Meeting	Shareholder Proposal
Shareholder Proponent	13 March 2025	Shareholder Proposal Proponent	Teleconference/Web-Meeting	Shareholder Proposal

For further information regarding our engagement policy, please visit http://www.glasslewis.com/engagement-policy/.

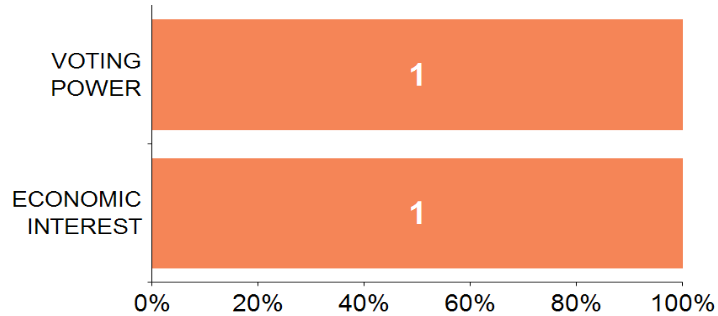
ISSUER DATA REPORT: Amazon.com, Inc. registered to participate in Glass Lewis' Issuer Data Report program (IDR) for this meeting. The IDR program enables companies to preview the key data points used by Glass Lewis' research team, and address any factual errors with Glass Lewis prior to the publication of the Proxy Paper to Glass Lewis' clients. No voting recommendations or analyses are provided as part of the IDR. For more information on the IDR program, please visit https://www.glasslewis.com/issuer-data-report/

SHARE OWNERSHIP PROFILE

SHARE BREAKDOWN

	1
SHARE CLASS	Common Stock
SHARES OUTSTANDING	10,612.4 M
VOTES PER SHARE	1
INSIDE OWNERSHIP	10.30%
STRATEGIC OWNERS**	10.50%
FREE FLOAT	89.50%

SOURCE CAPITAL IQ AND GLASS LEWIS. AS OF 01-MAY-2025



TOP 20 SHAREHOLDERS

	HOLDER	OWNED*	COUNTRY	INVESTOR TYPE
1.	Bezos, Jeffrey P.	8.57%	N/A	Individuals/Insiders
2.	The Vanguard Group, Inc.	7.76%	United States	Traditional Investment Manager
3.	BlackRock, Inc.	6.48%	United States	Traditional Investment Manager
4.	State Street Global Advisors, Inc.	3.44%	United States	Traditional Investment Manager
5.	FMR LLC	2.86%	United States	Traditional Investment Manager
6.	Capital Research and Management Company	2.02%	United States	Traditional Investment Manager
7.	Geode Capital Management, LLC	1.93%	United States	Traditional Investment Manager
8.	T. Rowe Price Group, Inc.	1.87%	United States	Traditional Investment Manager
9.	Scott, MacKenzie	1.74%	N/A	Individuals/Insiders
10.	JP Morgan Asset Management	1.30%	United States	Traditional Investment Manager
11.	Norges Bank Investment Management	1.17%	Norway	Sovereign Wealth Fund
12.	UBS Asset Management AG	0.97%	Switzerland	Traditional Investment Manager
13.	Northern Trust Global Investments	0.91%	United Kingdom	Traditional Investment Manager
14.	Morgan Stanley, Investment Banking and Brokerage Investments	0.90%	United Kingdom	Bank/Investment Bank
15.	Wellington Management Group LLP	0.63%	United States	Traditional Investment Manager
16.	BNY Asset Management	0.62%	United States	Traditional Investment Manager
17.	Teachers Insurance and Annuity Association-College Retirement Equities Fund	0.57%	United States	Traditional Investment Manager
18.	Eaton Vance Management	0.56%	United States	Traditional Investment Manager
19.	Charles Schwab Investment Management, Inc.	0.56%	United States	Traditional Investment Manager
20.	AllianceBernstein L.P.	0.54%	United States	Traditional Investment Manager

**COMMON STOCK EQUIVALENTS (AGGREGATE ECONOMIC INTEREST) SOURCE: CAPITAL IQ. AS OF 01-MAY-2025*
***CAPITAL IQ DEFINES STRATEGIC SHAREHOLDER AS A PUBLIC OR PRIVATE CORPORATION, INDIVIDUAL/INSIDER, COMPANY CONTROLLED FOUNDATION, ESOP OR STATE OWNED SHARES OR ANY HEDGE FUND MANAGERS, VC/PE FIRMS OR SOVEREIGN WEALTH FUNDS WITH A STAKE GREATER THAN 5%.*

SHAREHOLDER RIGHTS

	MARKET THRESHOLD	COMPANY THRESHOLD[1]
VOTING POWER REQUIRED TO CALL A SPECIAL MEETING	N/A	25.00%
VOTING POWER REQUIRED TO ADD AGENDA ITEM	$2,000[2]	$2,000[2]
VOTING POWER REQUIRED TO APPROVE A WRITTEN CONSENT	N/A	50.00%

[1] *N/A INDICATES THAT THE COMPANY DOES NOT PROVIDE THE CORRESPONDING SHAREHOLDER RIGHT.*
[2] *UNLESS GRANDFATHERED, SHAREHOLDERS MUST OWN SHARES WITH MARKET VALUE OF AT LEAST $2,000 FOR THREE YEARS. ALTERNATIVELY, SHAREHOLDERS MUST OWN SHARES WITH MARKET VALUE OF AT LEAST $15,000 FOR TWO YEARS; OR SHARES WITH MARKET VALUE OF $25,000 FOR AT LEAST ONE YEAR.*

COMPANY PROFILE

FINANCIALS

	1 YR TSR	3 YR TSR AVG.	5 YR TSR AVG.
AMZN	*44.4%*	*9.6%*	*18.9%*
S&P 500	*25.0%*	*8.9%*	*14.5%*
Peers*	*43.5%*	*19.6%*	*22.2%*

Market Capitalization (MM $)	2,306,888
Enterprise Value (MM $)	2,383,510
Revenues (MM $)	637,959

*ANNUALIZED SHAREHOLDER RETURNS. *PEERS ARE BASED ON THE INDUSTRY SEGMENTATION OF THE GLOBAL INDUSTRIAL CLASSIFICATION SYSTEM (GICS). FIGURES AS OF 31-DEC-2024. SOURCE: CAPITAL IQ*

EXECUTIVE COMPENSATION

Total CEO Compensation $1,596,889

1-Year Change in CEO Pay	*18%*	**CEO to Median Employee Pay Ratio**	*43:1*
Say on Pay Frequency	*1 Year*	**Compensation Grade 2024**	*B*
Glass Lewis Structure Rating	*Fair*	**Glass Lewis Disclosure Rating**	*Fair*
Single Trigger CIC Vesting	*No*	**Excise Tax Gross-Ups**	*No*
NEO Ownership Guidelines	*No*	**Overhang of Incentive Plans**	*16.63%*

CORPORATE GOVERNANCE

Election Method	*Majority w/ Resignation Policy*	**CEO Start Date**	*July 2021*
Controlled Company	*No*	**Proxy Access**	*Yes*
Multi-Class Voting	*No*	**Virtual-Only Meeting**	*Yes*
Staggered Board	*No*	**Average NED Tenure**	*9 years*
Combined Chair/CEO	*No*	**Gender Diversity on Board**	*33.3%*
Individual Director Skills Matrix Disclosed	*Yes*	**Company-Reported Racial/Ethnic Diversity on Board**	*25.0%*
Supermajority* to Amend Bylaws and/or Charter	*No*	**Age-Based Director Retirement Policy/Guideline**	*No; N/A*
Numerical Director Commitments Policy	*Yes*		

**Supermajority defined as at least two-thirds of shares outstanding*

ANTI-TAKEOVER

Poison Pill	*No*
Approved by Shareholders/Expiration Date	*N/A; N/A*

AUDITORS

Auditor: ERNST & YOUNG	**Tenure:** 29 Years
Material Weakness(es) Outstanding	*No*
Restatement(s) in Past 12 Months	*No*

SASB MATERIALITY

Primary SASB Industry: E-Commerce

Financially Material Topics:

- *Hardware Infrastructure Energy & Water Management*
- *Employee Recruitment, Inclusion & Performance*
- *Data Privacy & Advertising Standards*
- *Data Security*
- *Product Packaging & Distribution*

Company Reports to SASB/Extent of Disclosure: Yes; All Topics - Partial Metrics

CURRENT AS OF MAY 01, 2025

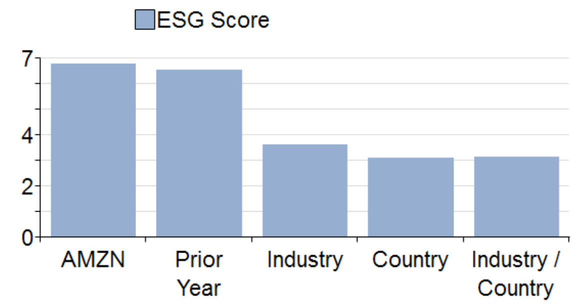
GLASS LEWIS ESG PROFILE

GLASS LEWIS ESG SCORE: 6.8 / 10

ESG SCORE SUMMARY

Board Accountability Score:	*6.0 / 10*	**ESG Transparency Score:**	*8.3 / 10*	**Targets and Alignment Score:**	*7.3 / 10*
Climate Risk Mitigation Score:	*N/A*	**Biodiversity Score:**	*5.3 / 10*		

SCORE BREAKDOWN



PRIOR YEAR ESG SCORE*	6.546
CHANGE IN ESG SCORE	0.27
INDUSTRY	*3.7* (3.15)
COUNTRY	*3.1* (3.70)
INDUSTRY / COUNTRY	*3.2* (3.65)

*As of our Proxy Paper for the Annual Meeting on 22-May-24

BOARD ACCOUNTABILITY (6.0 / 10)

Average NED Tenure	*9 years*	**Percent Gender Diversity**	*33%*
Director Independence	*83%*	**Board Oversight of ESG**	*Yes*
Board Oversight of Cyber	*No*	**Board Oversight of Human Capital**	*Yes*
Compensation Linked to E&S Metrics	*No*	**Lowest Support for Directors in Prior Year**	*88.6%*
Prior Year Say on Pay Support	*77.4%*	**Annual Director Elections**	*Yes*
Inequitable Voting Rights	*No*	**Pay Ratio**	*43:1*
Diversity Disclosure Assessment	*Good*	**Failure to Respond to Shareholder Proposal**	*No*

ESG TRANSPARENCY (8.3 / 10)

Comprehensive Sustainability Reporting	*Yes*	**GRI-Indicated Report**	*No*
Reporting Assurance	*Yes*	**Reporting Aligns with TCFD/IFRS S2**	*Yes*
Discloses Scope 1 & 2 Emissions	*Yes*	**Discloses Scope 3 Emissions**	*Yes*
Reports to SASB	*Yes*	**Extent of SASB Reporting**	*All Topics - Partial Metrics*
Discloses EEO-1 Report	*Yes*	**CPA-Zicklin Score**	*82.9*

ESG TARGETS AND ALIGNMENT (7.3 / 10)

Has Scope 1 and/or 2 GHG Reduction Targets	*Yes*	**Has Scope 3 GHG Reduction Targets**	*Yes*
Has Net Zero GHG Target	*Yes*	**Reduction Target Certified by SBTi**	*No*
SBTi Near-Term Target	*Commitment removed*	**SBTi Long-Term Target**	*N/A*
SBTi Net Zero Target	*N/A*	**UNGC Participant or Signatory**	*No*
Has Human Rights Policy	*Yes*	**Human Rights Policy Aligns with ILO, UNGP, or UDHR**	*Yes*
Has Human Rights Due Diligence Framework	*Yes*	**Has Supplier Code of Conduct**	*Yes*
Has Biodiversity Policy	*Yes*	**Has AI Policy**	*Yes*

BIODIVERSITY (5.3 / 10)

Board Oversight of Biodiversity	*No*	**Has Deforestation Policy**	*Yes*
Has Water Policy	*Yes*	**Has Biodiversity-Related Targets**	*Yes*
Forest 500 Score	*15 %*	**TNFD Reporting**	*No*

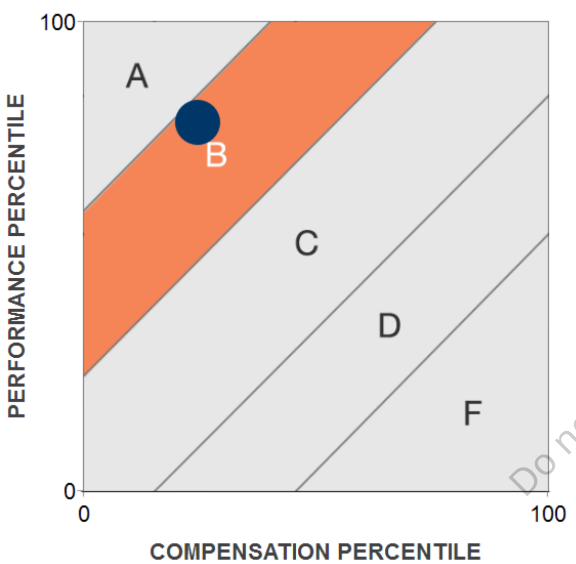
PAY-FOR-PERFORMANCE

Amazon.com's executive compensation received a **B** grade in our proprietary pay-for-performance model. The Company paid about the same compensation to its named executive officers as the median compensation for a group of companies selected based on Glass Lewis' peer group methodology and company data.The CEO was paid significantly less than the median CEO compensation of these peer companies. Overall, the Company paid less than its peers, but performed better than its peers.

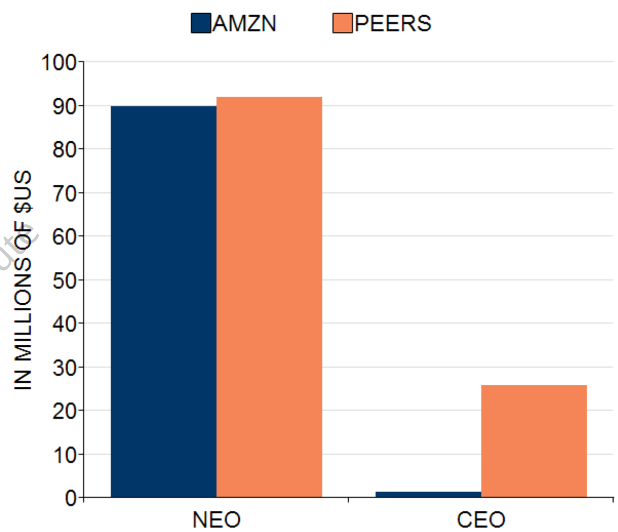
HISTORICAL COMPENSATION GRADE	**FY 2024:**	B
	FY 2023:	D
	FY 2022:	F

FY 2024 CEO COMPENSATION		
	SALARY:	$365,000
	GDFV EQUITY:	$ 0
	NEIP/OTHER:	$1,231,889
	TOTAL:	$1,596,889

FY 2024 PAY-FOR-PERFORMANCE GRADE



3-YEAR WEIGHTED AVERAGE COMPENSATION

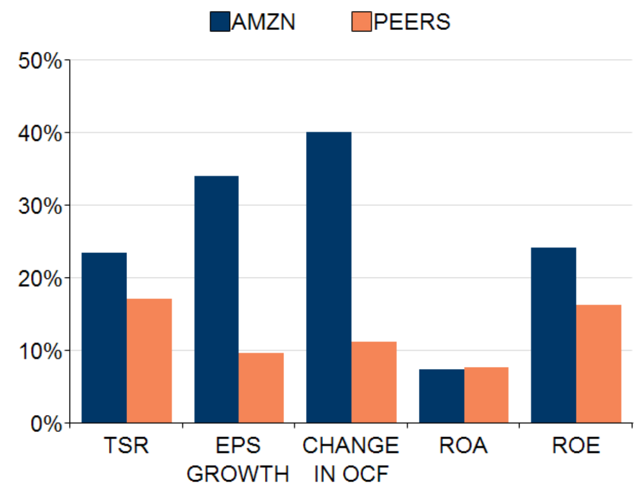


GLASS LEWIS PEERS VS PEERS DISCLOSED BY COMPANY

GLASS LEWIS	AMZN
Alphabet Inc.*	United Parcel Service, Inc
Apple Inc.*	Target Corporation
Berkshire Hathaway Inc.	Salesforce, Inc
Broadcom Inc.	Oracle Corporation
Chevron Corporation	Netflix, Inc
CVS Health Corporation	The Kroger Co
Exxon Mobil Corporation	Intel Corporation
Ford Motor Company	The Walt Disney Company
Meta Platforms, Inc.*	Costco Wholesale Corporation
Microsoft Corporation*	Cisco Systems, Inc
The Cigna Group	
UnitedHealth Group Incorporated	
Walmart Inc.*	

***ALSO DISCLOSED BY AMZN**

SHAREHOLDER WEALTH AND BUSINESS PERFORMANCE

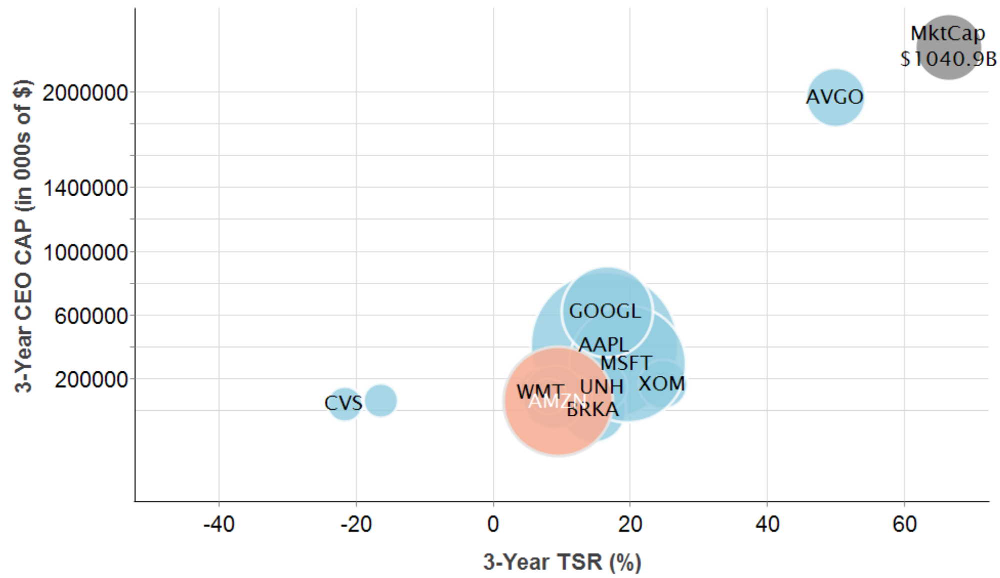


Analysis for the year ended 12/31/2024. Performance measures, except ROA and ROE, are based on the weighted average of annualized one-, two- and three-year data. Compensation figures are weighted average three-year data calculated by Glass Lewis. Data for Glass Lewis' pay-for-performance tests are sourced from company filings, including proxy statements, annual reports, and other forms for pay. Performance and TSR data are sourced from Capital IQ and publicly filed annual reports. For Canadian peers, equity awards are normalized using the grant date exchange rate and cash compensation data is normalized using the fiscal year-end exchange rate. The performance metrics used in the analysis are selected by Glass Lewis and standardized across companies by industry. These metrics may differ from the key metrics disclosed by individual companies to meet SEC pay-versus-performance rules.

Glass Lewis peers are based on Glass Lewis' proprietary peer methodology, which considers both country-based and sector-based peers, along with each company's disclosed peers, and are updated in February and August. Peer data is based on publicly available information, as well as information provided to Glass Lewis during the open submission periods. The "Peers Disclosed by Company" data is based on public information in proxy statements. Glass Lewis may exclude certain peers from the Pay for Performance analysis based on factors such as trading status and/or data availability.

For details on the Pay-for-Performance analysis and peer group methodology, please refer to Glass Lewis' Pay-for-Performance Methodology & FAQ.

COMPENSATION ANALYSIS



	Market Capitalization	Revenue	CEO Compensation Actually Paid	1Y TSR	3Y TSR	5Y TSR
Reference Company Percentile	86%ile	93%ile	21%ile	79%ile	43%ile	64%ile
Reference Company	$2306.9B	$638.0B	$54.2M	44.4%	9.5%	18.9%
25th Percentile of Peers	$76.8B	$185.0B	$58.5M	-6.3%	7.1%	7.7%
50th Percentile of Peers	$486.9B	$307.4B	$110.0M	16.6%	14.6%	14.9%
75th Percentile of Peers	$910.1B	$370.7B	$162.2M	33.7%	16.2%	21.7%
Multiple of Median	4.7x	2.1x	0.5x	N/A	N/A	N/A

	COMPENSATION ACTUALLY PAID (CAP)		EPS		ROA		ROE	
Year	AMZN	GL Peers (Median)	AMZN	GL Peers (Median)	AMZN	GL Peers (Median)	AMZN	GL Peers (Median)
2024	$92.4M	$32.8M	$5.66	$6.11	7.4%	6.3%	24.3%	13.5%
2023	$109.6M	$24.4M	$2.95	$8.89	4.7%	7.8%	17.5%	18.5%
2022	-$147.7M	$50.0M	-$0.27	$6.15	1.9%	10.6%	-1.9%	23.6%

RATIO OF 3-YEAR COMPENSATION ACTUALLY PAID TO 3-YEAR TSR					
Market Capitalization Band	AMZN	25th Percentile	50th Percentile	75th Percentile	90th Percentile
$4B+	495,050:1	212,935:1	330,617:1	522,386:1	779,790:1

	LIST OF COMPANIES
Glass Lewis Peer Group	Apple Inc (AAPL), Broadcom Inc (AVGO), Berkshire Hathaway Inc (BRKA), Walmart Inc (WMT), Exxon Mobil Corporation (XOM), Ford Motor Company (F), CVS Health Corporation (CVS), UnitedHealth Group Incorporated (UNH), Microsoft Corporation (MSFT), Chevron Corporation (CVX), Meta Platforms, Inc (META), The Cigna Group (CI), Alphabet Inc (GOOGL)

The Compensation Analysis for U.S. companies uses “compensation actually paid” figures provided by companies in proxy materials. The financial data used is based on information provided by Capital IQ. The performance metrics used in the analysis are selected by Glass Lewis and standardized across companies by industry. These metrics may differ from the key metrics disclosed by individual companies to meet SEC pay-versus-performance rules. The peer groups used in this analysis are created using Glass Lewis' proprietary peer-to-peer methodology for North American companies.

For further information on the “compensation actually paid” figures, please see Glass Lewis' paper, New SEC Pay Versus Performance Disclosure Requirements. Find the Perfect Peer Group with Glass Lewis

EXEMPT SOLICITATION

On April 28, 2025, SOC Investment Group ("SOC"), which works with pension funds sponsored by affiliates of unions, filed an exempt solicitation urging shareholders to vote against the Company's advisory vote on executive compensation (Proposal 3). SOC asserts that the Company's compensation plan "continues to deviate from executive compensation best practice," claiming the following (among other things) as immediate concerns:

- Unlike most companies, the Company offers executives neither a short-term nor long-term incentive plan and instead pays modest cash salaries and issues multi-year, time-based restricted stock grants to executives at two-year intervals, other than for the CEO.
- The Company's grants partially vest with each calendar quarter, effectively guaranteeing the executive substantial regular increases in wealth, but lack both a post-vesting holding period and disclosure of any required level of stock ownership for executives, which may misalign the incentives of executives and shareholders.
- The leadership development and compensation committee has not in the past explained how it determined the size of new hire or promotional grants or why those grants are appropriate.
- Shareholders have opposed the Company's say-on-pay proposal at the past three annual meetings, starting in 2022 with 43.9%, 31.5%, and 22.2% of all votes cast, respectively. SOC states that the lowest of these totals is well above the average opposition for say-on-pay for S&P 500 companies in 2024 (10.2%).
- Proxy advisor Institutional Shareholder Services ("ISS") has recommended that clients vote against the Company's say-on-pay resolutions in each of the past three years, despite ISS only recommending "against" say-on-pay proposals for just 12.7%, 9.6%, and 7.6% of companies, respectively, from 2022-2024.
- The Company's deteriorating relative share price performance since 2021 has roots in its substantial increases in capital spending over the past decade, despite capital productivity declining.

FTC LAWSUIT

On September 26, 2023, the U.S. Federal Trade Commission (the "FTC") announced that it and a number of state attorneys general were suing the Company, alleging that the Company is a "monopolist" that uses a set of interlocking anticompetitive and unfair strategies to illegally maintain its monopoly power. The lawsuit alleges that the Company violates federal antitrust, state antitrust and consumer protection laws because it engages in a course of exclusionary conduct that prevents rivals from lowering prices and fairly competing against the Company. The lawsuit also highlights the Company's power over third-party sellers on its website and alleges it leads to higher prices for consumers.

On October 3, 2023, *The Wall Street Journal* reported that according to redacted portions of the FTC lawsuit, the Company previously used an algorithm to test how much it could raise prices in a way that competitors would follow, which allegedly helped the Company generate a redacted amount of "excess profit" (Dana Mattioli. "Amazon Used Secret 'Project Nessie' Algorithm to Raise Prices." *The Wall Street Journal,* October 3, 2023).

Pursuant to the lawsuit, the FTC and 18 state attorneys general, and Puerto Rico are seeking a permanent injunction in federal court that would "prohibit Amazon from engaging in its unlawful conduct and pry loose Amazon's monopolistic control to restore competition."

In September 2024, Judge John H. Chun for the United States District Court for the Western District of Washington issued a court order that granted in part the Company's motion to dismiss the suit brought by the FTC and certain state Attorneys General with respect to five state law claims and denied the motion with respect to the remaining claims. In its most recent annual report, the Company states it disputes the allegations of wrongdoing and intends to defend itself vigorously in these matters.

On March 12, 2025, the FTC asked Judge Chun to delay a September trial and relax deadlines in the case, citing staffing and budgetary challenges. Jonathan Cohen, a lawyer for the FTC, made the request before the judge. "Our resource constraints are severe and really unique to this moment," Cohen said during a status hearing. "We have lost employees in the agency, in our division and on the case team."

Judge Chun asked how "things are going to be different in two months" with the issues the agency is experiencing.

Cohen responded by saying he "cannot guarantee if things won't be even worse" (Haleluya Hadero. "FTC Asks Judge to Delay Amazon Trial Due to Resource Constraints." *Associated Press.* March 12, 2025).

However, Cohen did an about-face later in the day, telling the judge in a brief letter that the statements he made in court were incorrect. "I want to clarify comments I made today: I was wrong," Cohen wrote in the letter. "The commission does not have resource constraints and we are fully prepared to litigate this case.” In a statement sent to the *Associated Press,* FTC Chair Andrew Ferguson also said “the attorney was wrong.”

“I have made it clear since Day 1 that we will commit the resources necessary for this case,” Ferguson said, adding that the FTC “will never back down from taking on Big Tech.” A Company spokesperson declined to comment on the agency’s reversal (Haleluya Hadero. "FTC Reverses Its Request for a Delay in an Amazon Trial, Says It Has Resources to Litigate the Case ." *Associated Press*. March 13, 2025).

HUMAN CAPITAL MANAGEMENT RISKS

In recent years, the Company has faced scrutiny and controversy over human capital management risks regarding worker health and safety. Specifically, the Company has faced fines, inquiries and significant media attention concerning the working conditions of its employees, particularly those in the Company's warehouses. These concerns were exacerbated by the COVID-19 pandemic, which not only increased demand for the Company's products but also presented more significant risks for its employees. Additionally, a number of the Company's employees have attempted to unionize in recent years, which has allegedly been discouraged by the Company. The Company has faced significant public and regulatory scrutiny over its purported anti-union efforts. The board's leadership development and compensation committee oversees the Company's human resources programs and human capital management risks.

At last year's annual meeting, shareholders put forth proposals requesting reporting relating to these issues. Specifically, Proposal 12 on the 2024 ballot requested that the board commission a third-party assessment of its adherence to freedom of association and collective bargaining rights. Proposal 17 requested that the board commission an independent audit and report of its warehouse working conditions. At this year's annual meeting, there is once again a shareholder proposal that requests that the Company commission an independent audit and report of its warehouse working conditions (see Proposal 10).

Company Disclosure

The Company provides a March 2025 report on its safety, health, and well-being efforts, in which it discusses evaluating its safety performance; understanding its operations and workforce; auditing and inspecting its sites; investing in safety improvements; working with operations partners; and looking ahead. It states that for global operations, its recordable incident rate ("RIR") has improved by 34% over the past five years and over 6% year over year, while its lost time incident rate ("LTIR") has improved 65% over the past five years and 13% year over year.

For its U.S. operations, the Company states that in the General Warehousing and Storage industry, its RIR improved 27% over the past five years and 5% year over year. The Company then states that the LTIR for General Warehousing and Storage improved 79% over the past five years and 9% year over year.

The Company discusses more than doubling its operations network globally since 2019, to more than 1 million employees across more than 2,500 sites across the world. Further, the Company states that it has invested more than $2 billion since 2019 in its safety efforts, including new technologies and programs to protect its employees. It also explains that it has allocated hundreds of millions of dollars in 2025 alone to invest in technologies, resources, training, and programs to further its safety efforts.

In its code of conduct, the Company states that it provides a clean, safe, and healthy work environment, and each employee has responsibility for maintaining a safe and healthy workplace by following safety and health rules and practices and reporting accidents, injuries and unsafe conditions, procedures, or behaviors. The Company also discusses safety in its modern slavery statement and supply chain standards.

With regard to unionization efforts, the Company provides information on its human rights commitment, policy, and practices specifically in relation to freedom of association and collective bargaining. The Company addresses freedom of association in its global human rights principles, and states that its approach on human rights is informed by international standards, and it respects and supports the ILO Declaration on Fundamental Principles and Rights at Work and the UN Universal Declaration of Human Rights. The Company also discusses human rights on its website.

Glass Lewis' View

At this time, we refrain from recommending that shareholders oppose the election of any members of the board as a result of human capital management risk. However, we believe there is sufficient justification for shareholders to again support the shareholder proposal requesting that the Company commission an independent audit and report of its warehouse working conditions. We will continue to monitor this issue.

For further information and analysis regarding these issues, please see Proposal 10.

1.00: ELECTION OF DIRECTORS

FOR

PROPOSAL REQUEST: Election of twelve directors

ELECTION METHOD: Majority w/ Resignation Policy

RECOMMENDATIONS & CONCERNS:

FOR: **J. Bezos** ; **A. Jassy** ; **K. Alexander** ; **E. Cooper** ; **J. Gorelick** ; **D. Huttenlocher** ; **A. Ng** ; **I. Nooyi** ; **J. Rubinstein** ; **B. Smith** ; **P. Stonesifer** ; **W. Weeks**

PROPOSAL SUMMARY

Shareholders are being asked to elect 12 nominees to each serve a one-year term.

BOARD OF DIRECTORS

UP	NAME	AGE	GENDER	DIVERSE+	GLASS LEWIS CLASSIFICATION	COMPANY CLASSIFICATION	OWN**	COMMITTEES						TERM START	TERM END	YEARS ON BOARD
								AUDIT	COMP	GOV	NOM	E&S^	CYB^^			
✓	Jeffrey P. Bezos* ·*Chair*	61	M	N/D	Insider 1	Not Independent	10%							1994	2025	31
✓	Andrew R. Jassy* ·*CEO*	57	M	N/D	Insider 2	Not Independent	Yes							2021	2025	4
✓	Keith B. Alexander	73	M	N/D	Independent 3	Independent	Yes						C	2020	2025	5
✓	Edith W. Cooper	63	F	Yes	Independent	Independent	Yes		C					2021	2025	4
✓	Jamie S. Gorelick ·*Lead Director*	74	F	N/D	Independent 4	Independent	Yes			✓	✓	✓		2012	2025	13
✓	Daniel P. Huttenlocher	66	M	No	Independent	Independent	Yes		✓				✓	2016	2025	9
✓	Andrew Y. Ng	48	M	N/D	Independent	Independent	Yes		✓					2024	2025	1
✓	Indra K. Nooyi	69	F	N/D	Independent	Independent	Yes	C X						2019	2025	6
✓	Jonathan J. Rubinstein	68	M	N/D	Independent	Independent	Yes			C	C	C	✓	2010	2025	15
✓	Brad D. Smith	61	M	No	Independent	Independent	Yes	✓X						2023	2025	2
✓	Patricia Q. Stonesifer	68	F	N/D	Independent 5	Independent	Yes			✓	✓	✓		1997	2025	28
✓	Wendell P. Weeks*	65	M	No	Independent 6	Independent	Yes	✓X						2016	2025	9

C = Chair, * = Public Company Executive, X = Audit Financial Expert, = Withhold or Against Recommendation

1. Founder and executive chair. Former president and CEO (until July 2021). Owner of Blue Origin, to which the Company sold approximately $12.3 million of consumer goods in fiscal 2024. The Company expects to pay Blue Origin and a third party approximately $7.4 billion for satellite launch and related services through 2028 pursuant to 2022 agreements, of which approximately $2.7 billion is expected to be paid to Blue Origin. Owner of entities that publish The Washington Post ("WaPo"); the Company purchased approximately $770,000 of advertising from, and paid approximately $2.5 million related to digital content to, these entities in fiscal 2024.
2. President and CEO.
3. Former chair (until February 2024), president and CEO (until July 2023) of IronNet, Inc., which paid an undisclosed amount to the Company for Amazon Web Services in the ordinary course of business which were under standard, arms-length terms and were not significant to the Company in the most recent three years during the period when Gen. Alexander served as that company's president and CEO.
4. Lead director.
5. Former interim CEO (from June 2023 to January 2024) of WaPo.
6. Chair and CEO of Corning Incorporated, to which the Company paid an undisclosed amount in the ordinary course of business that was

determined to be not significant to either the Company or Corning Incorporated in the past three fiscal years.

+Reflects racial/ethnic diversity reported either by the Company or by another company where the individual serves as a director. Only racial/ethnic diversity reported by the Company will be reflected in the Company's reported racial/ethnic board diversity percentage listed elsewhere in this Proxy Paper, if available.
***Percentages displayed for ownership above 5%, when available*
^Indicates board oversight responsibility for environmental and social issues. If this column is empty, it indicates that this responsibility hasn't been formally designated and codified in committee charters or other governing documents. ^^Indicates board oversight responsibility of cybersecurity issues has been designated to a specific committee with members as identified.

NAME	ATTENDED AT LEAST 75% OF MEETINGS	PUBLIC COMPANY EXECUTIVE	ADDITIONAL PUBLIC COMPANY DIRECTORSHIPS
Jeffrey P. Bezos	Yes	Yes	None
Andrew R. Jassy	Yes	Yes	None
Keith B. Alexander	Yes	No	None
Edith W. Cooper	Yes	No	(1) PepsiCo, Inc.
Jamie S. Gorelick	Yes	No	(1) VeriSign, Inc.
Daniel P. Huttenlocher	Yes	No	(1) Corning Incorporated
Andrew Y. Ng	Yes	No	(1) Coursera, Inc. C
Indra K. Nooyi	Yes	No	(1) Koninklijke Philips N.V.
Jonathan J. Rubinstein	Yes	No	(1) Robinhood Markets, Inc.
Brad D. Smith	Yes	No	(1) JPMorgan Chase & Co.
Patricia Q. Stonesifer	Yes	No	None
Wendell P. Weeks	Yes	Yes	(1) Corning Incorporated C E

C = Chair, E = Executive

MARKET PRACTICE

BOARD	REQUIREMENT	BEST PRACTICE	2023*	2024*	2025*
Independent Chair	No[1]	Yes[6]	No	No	No
Board Independence	Majority[2]	66.7%[6]	82%	83%	83%
Gender Diversity	N/A[5]	N/A[5]	45.5%	33.3%	33.3%
COMMITTEES	**REQUIREMENT**	**BEST PRACTICE**	**2023***	**2024***	**2025***
Audit Committee Independence	100%[3]	100%[6]	100%	100%	100%
Independent Audit Chair	Yes[3]	Yes[6]	Yes	Yes	Yes
Compensation Committee Independence	100%[4]	100%[6]	100%	100%	100%
Independent Compensation Chair	Yes[4]	Yes[6]	Yes	Yes	Yes
Nominating Committee Independence	100%[4]	100%[6]	100%	100%	100%
Independent Nominating Chair	Yes[4]	Yes[6]	Yes	Yes	Yes

** Based on Glass Lewis classification*

1. *Nasdaq Corporate Governance Requirements*
2. *Independence as defined by Nasdaq listing rules*
3. *Securities Exchange Act Rule 10A-3 and Nasdaq listing rules*
4. *Non-independent member allowed under certain circumstances in Nasdaq listing rules*
5. *No current marketplace listing requirement*
6. *CII*

Glass Lewis believes that boards should: (i) be at least two-thirds independent; (ii) have standing compensation and nomination committees comprised solely of independent directors; and (iii) designate an independent chair, or failing that, a lead independent director.

GLASS LEWIS ANALYSIS

We believe it is important for shareholders to be mindful of the following:

DIVERSITY POLICIES AND DISCLOSURE

FEATURE	COMPANY DISCLOSURE
Director Race and Ethnicity Disclosure	Aggregate
Diversity Considerations for Director Candidates	Gender and race/ethnicity
"Rooney Rule" or Equivalent	Commitment
Director Skills Disclosure (Tabular)	Matrix
***Overall Rating:** Good	
Company-Reported Percentage of Racial/Ethnic Minorities on Board: 25.0%	

*For more information, including detailed explanations of how Glass Lewis assesses these features, please see Glass Lewis' Approach to Diversity Disclosure Ratings.

The Company has provided good disclosure of its board diversity policies and considerations. Areas to potentially improve this disclosure are as follows:

Race and Ethnicity Disclosure - The Company has not disclosed the racial/ethnic diversity of directors in a way that is both delineated from other diversity measures and on an individual basis. Glass Lewis believes that shareholders benefit from clear disclosure of racial/ethnic board diversity on an individual basis.

"Rooney Rule" - The Company has not disclosed a policy requiring women and minorities to be included in the initial pool of candidates when selecting new director nominees (aka a "Rooney Rule"). Glass Lewis believes that policies requiring the consideration of minority candidates are an effective way to ensure an appropriate mix of director nominees.

BOARD SKILLS

Glass Lewis believes that depth and breadth of experience is crucial to a properly functioning board. We believe shareholders' interests are best served when boards proactively address a lack of diversity through targeted refreshment, linking organic succession planning with the skill sets required to guide and challenge management's implementation of the board's strategy.

We have reviewed the non-employee directors' current mix of skills and experience as follows*:

BASIC INFORMATION				CORE SKILLS							SECTOR-SPECIFIC SKILLS			
Director	**Age**	**Gender**	**Tenure**	**Core**	**Finance/ Risk**	**Legal/ Policy**	**Senior Exec**	**Cyber/ IT**	**E&S**	**HCM**	**Intl Sales/ Mrkts**	**MFG/ SCM/ Global Ops**	**Comms/ Mrkting/ E-Com**	**Tech**
Keith B. Alexander	73	M	5			X	X	X		X				X
Edith W. Cooper	63	F	4		X		X			X	X			
Jamie S. Gorelick	74	F	13			X			X	X				
Daniel P. Huttenlocher	66	M	9	X				X		X				X
Andrew Y. Ng	48	M	1	X			X	X		X	X			X
Indra K. Nooyi	69	F	6	X	X		X		X	X	X	X	X	
Jonathan J. Rubinstein	68	M	15	X			X	X		X	X	X	X	X
Brad D. Smith	61	M	2	X		X	X	X	X	X	X		X	X
Patricia Q. Stonesifer	68	F	28	X			X		X	X	X	X	X	X
Wendell P. Weeks	65	M	9	X		X	X		X	X	X	X	X	X

**Please note that the above information is for guidance only and has been compiled using the Company's most recent disclosure and/or additional public sources as necessary. It is not intended to be exhaustive. For further information, please refer to the Glass Lewis Board Skills Appendix.*

SHAREHOLDER PROPOSAL RECEIVED SIGNIFICANT SUPPORT

As outlined below, the Company has previously received shareholder proposals that received significant shareholder support.

	2024 Annual Meeting Vote Results*	
	For	Against
Shareholder Proposal Regarding Third-Party Assessment of Freedom of Association	31.81%	68.19%
Shareholder Proposal Regarding Report on Working Conditions	31.24%	68.76%

*Calculations exclude abstentions.

In instances when a shareholder proposal has received at least 30% shareholder support, we generally believe boards should engage with shareholders on the issue and provide disclosure addressing shareholder concerns and outreach initiatives. In this case, it does not appear that the Company addresses the significant support received by these two shareholder proposals in its 2025 proxy statement, though this year's ballot again includes a shareholder proposal that requests that the Company commission an independent audit and report of its warehouse working conditions (see Proposal 10). Accordingly, we believe the Company's response to these shareholder initiatives has been fairly weak. Nonetheless, given that the shareholder proposals were not supported by a majority of votes cast, we refrain from recommending that shareholders oppose the election of any director on this basis at this time.

RECOMMENDATIONS

We do not believe there are substantial issues for shareholder concern as to any of the nominees.

We recommend that shareholders vote **FOR** all nominees.

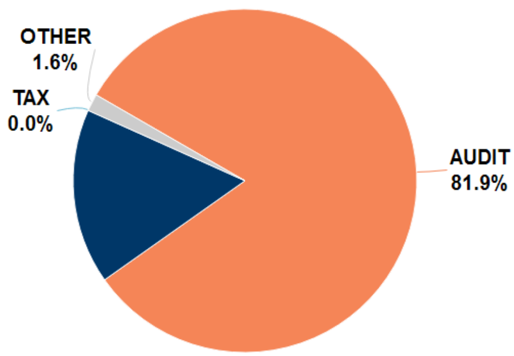
2.00: RATIFICATION OF AUDITOR

FOR

PROPOSAL REQUEST:	Ratification of Ernst & Young
PRIOR YEAR VOTE RESULT (FOR):	95%
BINDING/ADVISORY:	Advisory
REQUIRED TO APPROVE:	Majority of votes cast
AUDITOR OPINION:	Unqualified

RECOMMENDATIONS & CONCERNS:

FOR- No material concerns



AUDITOR FEES

	2024	2023	2022
Audit Fees:	$41,937,000	$37,387,000	$33,840,000
Audit-Related Fees:	$8,454,000	$9,403,000	$8,022,000
Tax Fees:	$ 0	$ 0	$ 0
All Other Fees:	$828,000	$175,000	$ 0
Total Fees:	$51,219,000	$46,965,000	$41,862,000
Auditor:	Ernst & Young	Ernst & Young	Ernst & Young
1-Year Total Fees Change:		9.1%	
2-Year Total Fees Change:		22.4%	
2024 Fees as % of Revenue*:		0.008%	

* Annual revenue as of most recently reported fiscal year end date. *Source: Capital IQ*

Years Serving Company:	29
Restatement in Past 12 Months:	No
Alternative Dispute Resolution:	No
Auditor Liability Caps:	No
Lead Audit Partner:	Jeffrey Lawrence Lang
Critical Audit Matter:	1
	• Uncertain Tax Positions

GLASS LEWIS ANALYSIS

The fees paid for non-audit-related services are reasonable and the Company discloses appropriate information about these services in its filings.

We recommend that shareholders vote **FOR** the ratification of the appointment of Ernst & Young as the Company's auditor for fiscal year 2025.

3.00: ADVISORY VOTE ON EXECUTIVE COMPENSATION

FOR

PROPOSAL REQUEST:	Approval of Executive Pay Package	**PAY FOR PERFORMANCE GRADES:**	**FY 2024** B **FY 2023** D **FY 2022** F
PRIOR YEAR VOTE RESULT (FOR):	77.4%	**RECOMMENDATION:**	FOR
STRUCTURE:	Fair		
DISCLOSURE:	Fair		

EXECUTIVE SUMMARY

SUMMARY ANALYSIS

We continue to regard the structure of the Company's pay program and the absence of performance-based long-term awards with a degree of concern and heightened scrutiny. However, given the identified alignment between pay and performance, we believe that the Company has exercised its discretion for pay-setting appropriately for the year in review, and we do not consider award levels excessive at this time. As such, we believe shareholders may support the proposal.

COMPENSATION HIGHLIGHTS

- STI: No program in operation
- LTI: Time-based
  - The Company makes periodic grants of time-based restricted stock awards, and does not grant short-term awards or long-term performance-based awards.
  - Mr. Jassy has not received an equity grant since 2021, in line with the Company's view that awards granted to him at that time in connection with his assuming the role of CEO are intended to represent the bulk of his compensation. Mr. Bezos does not receive compensation other than his annual salary due to his substantial existing ownership levels in the Company.
- One-time: None granted during the past fiscal year

SUMMARY COMPENSATION TABLE

NAMED EXECUTIVE OFFICERS	BASE SALARY	BONUS & NEIP	EQUITY AWARDS	TOTAL COMP
Andrew R. Jassy *President and Chief Executive Officer*	$365,000	-	-	$1,596,889
Jeffrey P. Bezos *Founder and Executive Chair*	$81,840	-	-	$1,681,840
Brian T. Olsavsky *SVP and Chief Financial Officer*	$365,000	-	$25,345,706	$25,717,606
Matthew S. Garman *CEO Amazon Web Services*	$358,750	-	$32,796,343	$33,180,619
Douglas J. Herrington *CEO Worldwide Amazon Stores*	$365,000	-	$33,807,522	$34,193,958
David A. Zapolsky *SVP, Chief Global Affairs and Legal Officer*	$365,000	-	$25,345,706	$25,717,606
Adam N. Selipsky *Former CEO Amazon Web Services*	$181,682	-	$33,738,017	$34,284,148

CEO to Avg NEO Pay: 0.06: 1

CEO SUMMARY

	2024 ANDREW R. JASSY	2023 ANDREW R. JASSY	2022 ANDREW R. JASSY
Total CEO Compensation	$1,596,889	$1,357,764	$1,298,723
1-year TSR	44.4%	80.9%	-49.6%
CEO to Peer Median *	0.1:1	0.1:1	0.0:1
Fixed/Perf.-Based/Discretionary **	100.0% / 0.0% / 0.0%	100.0% / 0.0% / 0.0%	100.0% / 0.0% / 0.0%

* Calculated using Company-disclosed peers. ** Percentages based on the CEO Compensation Breakdown values.

CEO COMPENSATION BREAKDOWN

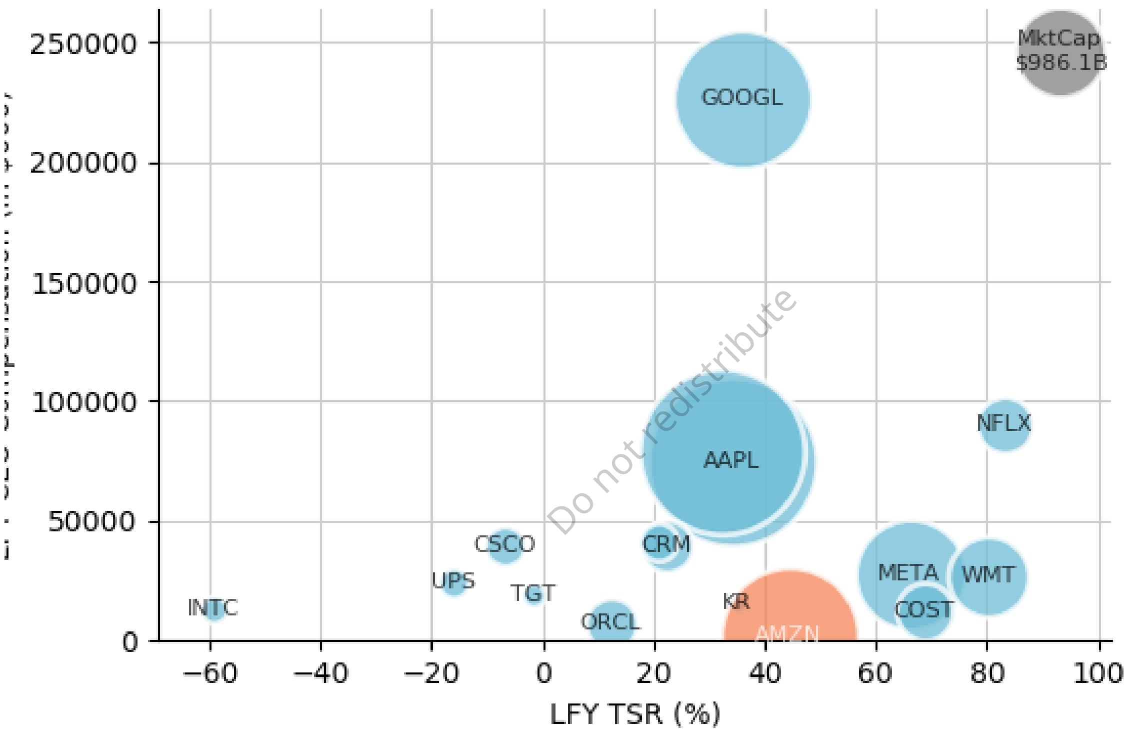
FIXED	**Cash**	**$1.6M**
	Salary	$365,000
	Benefits / Other	$1.2M
	Total Fixed	$1.6M

Awarded Incentive Pay	**$0.0M**
Total Pay Excluding change in pension value and NQDCE	**$1.6M**

PEER GROUP REVIEW [1 2 3 4]

The Company benchmarks NEO compensation to a peer group consisting of 15 companies. Total NEO compensation is not benchmarked to a specific percentile of the peer group.

	MARKET CAP	REVENUE	CEO COMP	1-YEAR TSR	3-YEAR TSR	5-YEAR TSR
75th PERCENTILE OF PEER GROUP	$1305.7B	$252.1B	$66.2M	58.5%	18.8%	23.4%
MEDIAN OF PEER GROUP	$327.0B	$106.6B	$27.2M	32.3%	13.9%	20.6%
25th PERCENTILE OF PEER GROUP	$124.3B	$53.3B	$16.6M	1.8%	-9.4%	5.5%
COMPANY	$2306.9B (83rd %ile)	$638.0B (95th %ile)	$1.6M (Lowest)	44.4% (71st %ile)	9.6% (36th %ile)	18.9% (41st %ile)



1 Market capitalization figures are as of fiscal year end dates. *Source: Capital IQ*

2 Annual revenue figures are as of fiscal year end dates. *Source: Capital IQ*

3 Annualized TSR figures are as of fiscal year end dates. *Source: Capital IQ*

4 Annual CEO compensation data based on the most recent proxy statement for each company.

EXECUTIVE COMPENSATION STRUCTURE - SYNOPSIS

FIXED

Base salaries did not increase significantly during the past fiscal year.

LONG-TERM INCENTIVES

LTI PLAN

AWARDS GRANTED (PAST FY)	*RSUs*
TIME-VESTING PAYOUTS	*Up to 186,293 shares for the non-CEO NEOs*

Time-vesting awards vest over six years.

No performance-based awards are granted under the plan.

NEOs typically do not receive stock-based awards every year. Only Messrs. Olsavsky, Garman, Herrington, Zapolsky and Selipsky were granted routine, periodic RSU awards during the year in review. Due to his resignation, effective June 2024, Mr. Selipsky's award was forfeited prior to any shares vesting.

RISK-MITIGATING POLICIES

CLAWBACK POLICY	*Yes - weak policy (restatement-dependent only)*
ANTI-HEDGING POLICY	*Yes*
STOCK OWNERSHIP GUIDELINES	*No*

SEPARATION & CIC BENEFITS

HIGHEST SEVERANCE ENTITLEMENT	*None*
CIC EQUITY TREATMENT	*Double-trigger acceleration*
EXCISE TAX GROSS-UPS	*No*

OTHER FEATURES

LFY CEO TO MEDIAN EMPLOYEE PAY RATIO	*43:1**
E&S METRICS FOR THE CEO	*None*
BENCHMARK FOR CEO PAY	*No specific benchmark*

*The Company-disclosed median employee pay for the year in review was $37,181.

OTHER COMPENSATION DISCLOSURES

COMPENSATION ACTUALLY PAID (YEAR-END CEO)	*$92,371,410 for FY2024 and $109,566,048 for the prior fiscal year*
REPORTED TSR*	*$237 for FY2024 and $164 for the prior fiscal year*
KEY PVP METRICS	*Not applicable*

*Reported TSR reflects the year-end value of an initial fixed $100 investment at the start of the required reporting period under SEC Pay Vs Performance (PVP) disclosure rules.

GLASS LEWIS ANALYSIS

This proposal seeks shareholder approval of a non-binding, advisory vote on the Company's executive compensation. Glass Lewis believes firms should fully disclose and explain all aspects of their executives' compensation in such a way that shareholders can comprehend and analyze the company's policies and procedures. In completing our assessment, we consider, among other factors, the appropriateness of performance targets and metrics, how such goals and metrics are used to improve Company performance, the peer group against which the Company believes it is competing, whether incentive schemes encourage prudent risk management and the board's adherence to market best practices. Furthermore, we also emphasize and evaluate the extent to which the Company links executive pay with performance.

PROGRAM FEATURES [1]

POSITIVE

- STI-LTI payout balance
- No single-trigger CIC benefits
- Anti-hedging policy

NEGATIVE

- No performance-vesting LTI awards
- No executive stock ownership requirements

[1] Both positive and negative compensation features are ranked according to Glass Lewis' view of their importance or severity

AREAS OF FOCUS

VARIABLE COMPENSATION

No Performance-Based Long-Term Incentives
Policy Perspective: We generally believe that shareholders benefit when variable compensation levels are based on metrics with pre-established goals and are thus demonstrably linked to the performance of the Company. Strictly time-based long-term awards may not sufficiently tie executive interests with those of shareholders.

Analyst Comment: The Company's incentive program emphasizes the use of substantial periodic time-vesting equity grants to the exclusion of other awards vehicles; compensation outcomes for NEOs will be negatively impacted if the Company's stock price is flat or declines.

Glass Lewis generally believes that well-designed performance-based long-term awards are a useful tool for ensuring pay-performance alignment by providing accountability for executives and giving shareholders transparent insight into pay outcomes. However, we do not consider the use of largely discretionary programs like those at the Company to be inherently objectionable. Rather, we recognize that such programs can deliver adequate pay-performance alignment where the program provides adequate safeguards and where discretionary power is exercised judiciously. We do not believe in a "one-size-fits-all" compensation approach; each compensation program must be evaluated on its own merits.

In line with this philosophy, we recognize that the Company's granting practices during the year in review appear to have been reasonable and do not appear to have led to an identifiable pay-performance disconnect. Compensation levels for NEOs do not appear markedly excessive, taking into account the periodic nature of awards grants, with the annualized value of grants for NEOs ranging from approximately $12.7 million to approximately $16.9 million (assuming awards will cover two years, as these NEOs last received awards in FY22). Moreover, as discussed in further detail below, we find an overall pay-performance alignment for the year in review.

We continue to regard the overall logic of the Company's compensation approach as warranting a heightened level of scrutiny. Indeed, it remains to be seen whether the Company's granting practice will be performance-invariant or whether it will adequately reflect shareholder experience during periods of weaker performance. Moreover, we believe clearer disclosure could have been provided as to the direct linkage between executive achievements and grant levels, and that greater clarity could be provided with respect to future compensation - if any - to Mr. Jassy. The uncertainty regarding cadence of grants necessitates close monitoring of these periodic grants and the alignment of realized compensation with the shareholder experience. Nonetheless, given the alignment of compensation during the year, we do not consider the Company's actions to be problematic at this time.

OTHER ISSUES

Shareholder Disapproval
Policy Perspective: Given the high support enjoyed by a significant majority of firms that put forth say-on-pay proposals, we consider support levels below 80% to represent a meaningful level of shareholder concern. Accordingly, companies should engage with their shareholders and take steps proportional to the level and persistence of disapproval.

Analyst Comment: The Company received approximately 77% support for the say-on-pay proposal at the most recent general meeting. The Company engaged with 70 of the Company's 100 largest unaffiliated shareholders during 2024, owning mor than 40% of the Company's stock. The Company discloses that much of the compensation-related feedback dealt with the overall design of the Company's program and the use of entirely time-vesting periodic grants. Many shareholders who had supported the advisory vote expressed support for the Company's approach. Other shareholders expressed a preference for awards incorporating performance-based vesting conditions. Some of these shareholders felt that, their preferences notwithstanding, they considered the Company's approach reasonable in light of the disclosed rationale; others wholly disagreed with the Company's approach.

In response to this feedback, the committee considered the results of the vote and the views expressed by shareholders. In the absence of a strong consensus for change, and based on the history and business context of the Company, the committee elected to maintain the current design of the compensation program. We recognize the Company's strenuous efforts to engage with shareholders and to consider seriously the arguments for and against the existing compensation approach, as well as the disclosed rationale underlying the committee's decision. It is clear that some shareholders continue to view a performance-based program as preferable, a view which we share. However, it is equally clear that such views are not universal among the Company's shareholder base. Ultimately, we consider the Company's response to this vote result to be reasonable on the whole.

EXEMPT SOLICITATION

Vote-No Campaign

Analyst Comment: Shareholders should be aware that this proposal is the subject of a vote-no campaign focused on the structure of the compensation program and the operational and strategic performance of the Company.

On April 28, 2025, SOC Investment Group filed an exempt solicitation urging shareholders to vote against the proposal (Notice of Exempt Solicitation). Arguments made by the proponents focus on a number of factors, including the Company's departure from standard executive compensation best practice and the resultant lack of clarity and rigor in award grants; the prior history of shareholder discontent with the Company's program; the absence of strong share ownership requirements for NEOs; and concerns about the Company's share price performance since 2020 as well as capital allocation and productivity.

2024 PAY FOR PERFORMANCE: B

Policy Perspective: "B" grades in the Glass Lewis pay-for-performance model indicate an adequate alignment of pay with performance, where the Company's pay ranking is notably less than its performance ranking.

Analyst Comment: Shareholders should note that the Company does not grant annual awards to its CEO, Mr. Jassy and that the estimated annualized value of awards granted to him at the time of his promotion to CEO, at approximately $21 million, sits below the median for the Glass Lewis peer group. By contrast, overall compensation to other NEOs approximates the peer median despite their size.

We believe the outcomes during the year are reasonable in light of the relative size and scope of the Company, as well as strong TSR performance. Moreover, we note that CEO Compensation Actually Paid (CAP) - a measure of realized and realizable pay - is below the Glass Lewis peer median and is not excessive relative to one-, three- and five-year TSR performance; the ratio of three-year CAP to three-year TSR at the Company (495,050:1) is below the 25th percentile for companies in the S&P 100 (559,291:1). In light of these factors, we believe that compensation for the year in review is reasonably aligned with the performance and size of the Company.

CONCLUSION

We recommend that shareholders vote **FOR** this proposal.

4.00: SHAREHOLDER PROPOSAL REGARDING SEPARATION OF CEO AND CHAIR POSITIONS

FOR

PROPOSAL REQUEST:	That the board adopt a policy and amend the governance documents as necessary to require that the CEO and chair positions remain separate	**SHAREHOLDER PROPONENT:**	The Accountability Board, Inc.
BINDING/ADVISORY:	Precatory		
PRIOR YEAR VOTE RESULT (FOR):	N/A	**REQUIRED TO APPROVE:**	Majority of votes cast

RECOMMENDATIONS, CONCERNS & SUMMARY OF REASONING:

FOR -
- A non-executive chair is better able to oversee the executives of a company and set a pro-shareholder agenda

GLASS LEWIS REASONING

- The presence of a separate, and preferably independent, chair fosters the creation of a thoughtful and dynamic board not dominated by the views of a CEO; and
- Ensuring independent board oversight helps to eliminate the conflict of interest that inevitably occurs when a chief executive is responsible for self-oversight.

PROPOSAL SUMMARY

Text of Resolution: *RESOLVED: Shareholders ask the Board to adopt a policy and amend the governance documents as necessary to require that the CEO and Board Chair positions remain separate (i.e. continue to be held by different people).*

Proponent's Perspective

- Like the majority of S&P 500 companies, the Company's CEO and chair roles are separated, and the board says this separation enhances its ability to focus on critical policy and operational issues, ultimately serving the long-term interests of shareholders;
- Separating the roles of board chair and CEO creates clear and unambiguous lines of authority, and at companies that separate the roles, this strong counterbalancing structure allows the board to focus on corporate governance and oversight and the CEO to focus on the company's business;
- The issue the Company's shareholders face is that the Company hasn't codified this separation into a policy, giving the board the ability to freely combine the roles at any time, for any reason;
- Opposing a 2021 shareholder proposal regarding its leadership structure, the Company's board expressed its desire to retain "flexibility to establish the leadership structure that it determines best supports its operations and the Company at a particular time";
- The proponents recognize and appreciate the need for flexibility, but it must be framed by sound governance structure and practice;
- Codifying the separation of the CEO and chair into policy would provide a framework demonstrating a strong, enduring commitment to shareholder interests and stable corporate governance; and
- In an era of heightened scrutiny on corporate governance, separating the chair and CEO roles would reinforce the Company's dedication to shareholders and long-term value creation.

Board's Perspective

- The Company's governance guidelines and processes enable the board to determine the optimal leadership structure for the Company in light of its specific circumstances at any given time;
- This proposal's prescriptive approach, requiring a mandatory policy separating the CEO and chair roles regardless of the circumstances, would simply limit the board's ability in the future to tailor the Company's leadership structure to align with the best interests of the Company and its shareholders;
- The Company's governance guidelines and processes reinforce its directors' fiduciary duty under Delaware law to act in the best interests of the Company and its shareholders, including when making decisions regarding board leadership; and
- Implementing this proposal would not change the Company's leadership structure or further enhance the independent oversight the board already exercises.

THE PROPONENT

The Accountability Board

The Accountability Board ("TAB") states that it is an active investor in more than 100 of the largest publicly traded companies. In 2022, the philanthropic funder Open Philanthropy granted TAB $10.3 million over three years to support advocacy campaigns aimed at securing faster implementation of corporate responsibility pledges. More specifically, Open Philanthropy stated that the grant fell within its focus area of farm animal welfare.

TAB states that its portfolio advocacy focuses largely on ensuring transparency and policy compliance, improving corporate governance, and strengthening shareholder rights. Further, it discusses its compliance monitoring, analysis and reporting, and board assessments. Among the values it promotes at the companies in its portfolio, TAB lists accountability, stewardship, independence, and transparency.

Based on the disclosure provided by companies concerning the identity of their proponents, the Accountability Board submitted 13 shareholder proposals during the first half of 2024, which received 29.6% average support.

GLASS LEWIS ANALYSIS

Glass Lewis believes that separating the roles of CEO and chair creates a better governance structure than a combined role. An executive manages the business according to a course the board charts. A CEO should report to the board regarding their performance in achieving goals set by the board. This process is needlessly complicated when a CEO sits on or chairs the board, as a CEO presumably will have a significant influence over the board. It can become difficult for a board to fulfill its role of overseer and policy-setter when a CEO/chair controls the agenda and the boardroom discussion. Such power can allow a CEO to have an entrenched position, leading to longer-than-optimal terms, fewer checks on management, less scrutiny of the business operation, and limitations on independent, shareholder-focused goal-setting by the board.

We note that this resolution requests that the roles of chair and CEO be separated, not that the chair be an independent director. Because a separate chair is not always independent, adoption of this proposal would not ensure independent oversight of the board. Regardless, we believe that adoption of this resolution would allow for a higher likelihood of independent board leadership.

We view a non-CEO chair as better able to oversee the executives of the Company and set a pro-shareholder agenda without the management conflicts that a CEO often faces. This, in turn, leads to a more proactive and effective board of directors. Further, the presence of a separate, and preferably independent, chair fosters the creation of a thoughtful and dynamic board, not dominated by the views of senior management. We believe that the separation of these two key roles eliminates the conflict of interest that inevitably occurs when a chief executive is responsible for self-oversight. As such, we believe that support for this proposal is warranted.

We recommend that shareholders vote **FOR** this proposal.

5.00: SHAREHOLDER PROPOSAL REGARDING REPORT ON RISK FROM DISCRIMINATORY AD POLICIES

AGAINST

PROPOSAL REQUEST:	That the Company report on how it oversees risks related to discrimination against ad buyers and sellers based on political or religious views	**SHAREHOLDER PROPONENT:**	Oklahoma Tobacco Settlement Endowment Trust, represented by Bowyer Research
BINDING/ADVISORY:	Precatory		
PRIOR YEAR VOTE RESULT (FOR):	N/A	**REQUIRED TO APPROVE:**	Majority of votes cast

RECOMMENDATIONS, CONCERNS & SUMMARY OF REASONING:
AGAINST - Not in the best interests of shareholders

SASB MATERIALITY

PRIMARY SASB INDUSTRY: E-Commerce

FINANCIALLY MATERIAL TOPICS:

- *Hardware Infrastructure Energy & Water Management*
- *Employee Recruitment, Inclusion & Performance*
- *Data Privacy & Advertising Standards*
- *Data Security*
- *Product Packaging & Distribution*

GLASS LEWIS REASONING

- Given the Company's existing oversight and disclosures concerning this issue, as well as that advertising strategies are an aspect of day-to-day management best left to management and the board, we are unconvinced that shareholders would derive material benefit from adoption of this proposal.

PROPOSAL SUMMARY

Text of Resolution: *Resolved: Shareholders request the Board of Directors of Amazon.com, Inc. conduct an evaluation and issue a report within the next year, at reasonable cost and excluding proprietary information and confidential information, evaluating how it oversees risks related to discrimination against ad buyers and sellers based on their political or religious status or views.*

Proponent's Perspective

- The Company is a global brand with immense influence and ad-buying power, and it should be advertising in ways that support its competitive interests and build its reputation for serving its diverse customers;
- The proponent expresses concern that the Company colluded with the world's largest advertising buyers, agencies, industry associations, and social media platforms through the Global Alliance for Responsible Media ("GARM") to demonetize platforms, podcasts, news outlets, and others for expressing disfavored political and religious viewpoints;
- A product of the World Federation of Advertisers ("WFA"), GARM was formed in 2019 and quickly amassed tremendous market power, given that WFA members represent about 90% of global advertising, spending nearly a trillion dollars annually;
- GARM's express mission was to "do more to address harmful and misleading media environments," specifically "hate speech, bullying and disinformation," as part of "brand safety";
- The proponent expresses concern regarding: (i) how GARM graded platforms on their censorship of terms or "irresponsible" treatment of "debated sensitive social issues," (ii) how organizations such as GARM avoid accountability by hiding censorship behind vague and shifting standards, and (iii) organizations that GARM promoted despite their labeling mainstream outlets as "disinformation";
- GARM disbanded shortly after public pressure and a lawsuit from X in 2024, but these censorious practices are still prevalent.
- Many of the "Big Six" advertising agencies that were all a part of GARM maintain similar policies, which in combination with the Company's actions create legal exposure under antitrust and

Board's Perspective

- The Company's goal in designing its advertising policies is for its customers to experience relevant and useful ads that help them find products and services that appeal to them;
- When the Company purchases ads from third parties to market its own products and services, it seeks to most effectively reach customers wherever they may shop or are otherwise engaged;
- The Company's policies and practices are not intended to promote or demote particular political or religious viewpoints;
- The Company serves customers, advertisers, and publishers that reflect a very broad range of viewpoints, and it takes seriously its commitment to respect people from all backgrounds, which is an enduring value for the Company;
- The Company has robust risk management processes to protect against risks;
- The nominating and corporate governance committee oversees and monitors the Company's policies and initiatives relating to corporate social responsibility, including human rights and ethical business practices, and related risks most relevant to its operations and engagement with customers, suppliers, and communities; and
- The audit committee oversees, among other things, the Company's risk assessment and risk management policies, including management of operational risks.

anti-discrimination laws; and
- The Company needs to rebuild trust by providing transparency around these policies and practices to assure customers, shareholders, and others that it is protecting, not targeting, free speech and religious freedom.

THE PROPONENT

Bowyer Research

Bowyer Research is an investment, macroeconomic forecasting, and corporate engagement and proxy consulting firm. The firm was founded by Jerry Bowyer, who is the former editor of the business channel of *The Christian Post* and the former host of Business in the Kingdom podcast on the Edifi Podcast network. With regard to its principles regarding proxy voting and engagement, Bowyer has developed guidelines that "are designed to appeal to investors who hold to a traditional understanding of the obligations of a company towards its shareholders--that is, a focus on shareholder capitalism as opposed to stakeholder capitalism-- and which are deeply skeptical about an ESG approach to corporate governance."

Based on the disclosure provided by companies concerning the identity of proponents, during the first half of 2024, Bowyer Research submitted eight shareholder proposals that received 1.8% average support, with none of its proposals receiving majority support.

GLASS LEWIS ANALYSIS

Glass Lewis recommends that shareholders take a close look at proposals such as this to determine whether the actions requested of the Company will clearly lead to the enhancement or protection of shareholder value. Glass Lewis believes that directors who are conscientiously exercising their fiduciary duties will typically have more and better information about the Company and its situation than shareholders. Those directors are also charged with making business decisions and overseeing management. Our default view, therefore, is that the board and management, absent a suspicion of illegal or unethical conduct, will make decisions that are in the best interests of shareholders.

BACKGROUND

Following a live-streamed attack at a mosque in Christchurch, New Zealand in 2019, the Global Alliance for Responsible Media ("GARM") formed as a cross-industry, not-for-profit, voluntary initiative to address digital safety. Participants in GARM, which was led by the World Federation of Advertisers, sought to address both consumer and reputational issues caused by brands' ads appearing online next to illegal or harmful content. GARM established voluntary and pro-competitive tools such as the Brand Safety Floor and the Adjacency Standards Framework for enhancing transparency in digital ad placement and supporting companies' independent development of unique, brand-specific safety frameworks.

GARM's statement announcing the global collaboration of agencies, media companies, and platforms explained:

> *With nearly 3.8 billion people online, the world is increasingly connected, and yet the increase in dangerous, hateful, disruptive and fake content online risks threatening our global community. Members of the Global Alliance for Responsible Media recognize the role that advertisers can play in collectively pushing to improve the safety of online environments. Together, they are collaborating with publishers and platforms to do more to address harmful and misleading media environments; and to develop and deliver against a concrete set of actions, processes and protocols for protecting brands.*

The statement further discusses GARM's first formal meeting at the Cannes Lions International Festival of Creativity in June 2019, detailing members' call for "more collective responsibility in media practices." GARM described its agenda as follows:

> *The Global Alliance for Responsible Media was formed to identify specific collaborative actions, processes and protocols for protecting consumers and brands from safety issues. Alliance members will work collaboratively to identify actions that will better protect consumers online, working towards a media environment where hate speech, bullying and disinformation is challenged, where personal data is protected, and used responsibly when given, and where everyone is, especially children, better protected online. Alliance members acknowledge their collective power to significantly improve the health of the media ecosystem.*

In 2021, GARM released its first digital brand safety report and developed partnerships through the World Economic Forum's Media, Entertainment and Sport Platform with companies such as Lego Group, Procter & Gamble, Unilever, NBC Universal-MSNBC, Dentsu Group, WPP (through GroupM), Interpublic Group, Publicis Groupe, Omnicom Group, Facebook, and Google.

GARM stated that its Brand Safety Floor and Suitability Framework, which were last updated in June 2022, were designed to provide GARM members with a common understanding of key definitions and categories.

In accordance with the IAB Technology Laboratory ("Tech Lab") (a non-profit consortium on technology and standards in the digital media ecosystem that maintains its own Content Taxonomy for labeling content), GARM's brand safety and suitability standard established a standard way to define the level or risk a brand would take in or had already taken in when advertising in a specific environment. It provides 11 categories of content with four risk levels (low, medium, high, and floor) with clear and concise vocabulary to define brand suitability needs.

GARM's Brand Safety Floor and Suitability Framework includes the following categories, each discussed in terms of high, medium, and low risk:

- Adult and explicit sexual content;
- Arms and ammunition;
- Crime and harmful acts to individuals and society, human rights violations;
- Death, injury, or military conflict;
- Online piracy;
- Hate speech and acts of aggression;
- Obscenity and profanity, including language, gestures, and explicitly gory, graphic, or repulsive content intended to shock or disgust;
- Illegal drugs/tobacco/e-cigarettes/alcohol;
- Spam or hurtful content;
- Terrorism; and
- Debated sensitive social issue.

In 2023, GARM released its fifth volume of its Aggregated Measurement Report with new insights on safety trends.

Congressional Hearing and Lawsuit

GARM' first became a topic of interest in July 2020, when controversies related to hate speech on Meta's social media platforms led to more than 1,000 companies boycotting Meta as part of the #StopHateforProfit movement organized by civil rights groups that urged companies to stop paying for ads on the platform to protest its handling of hate speech and misinformation. More than 1,000 advertisers publicly joined while others quietly scaled back their spending. Many of the companies boycotting the platform said they planned to return, but the boycott was raised in a congressional hearing and repeated meetings between ad industry representatives and Meta leaders. Meta, which said it was working with industry groups like GARM, had released the results of a civil rights audit the month prior and agreed to hire a civil rights executive (Tiffany Hsu, Eleanor Lutz. " More Than 1,000 Companies Boycotted Facebook. Did It Work?" *The New York Times*. August 1, 2020).

Several years later, the chair of the House Judiciary Committee, Jim Jordan, sent a letter to GARM and WFA in March 2023 requesting documents and communication related to their coordinated efforts to "demonetize and censor disfavored speech online," stating that they appeared to "facilitate collusion among their members in a manner that violated U.S. antitrust law." The Committee released a statement in May that, as GARM and WFA had not produced any documentation in response to the request, it had subpoenaed GARM and WFA officials.

Separately, another incident involving advertisers' influence and censorship occurred in the spring of 2023 when Elon Musk agreed with a post on X suggesting that Jewish communities were pushing "hatred against whites that they claim to want people to stop using against them," and 200 large advertisers, including the Walt Disney Company, pulled their advertising money from X, with the *New York Times* estimating that the boycott could cost X $75 million just in that quarter (Kate Conger and Remy Tumin. "Elon Musk Uses a Crude Insult to Slame Advertisers for Pulling Back from X." *The New York Times*. April 10, 2024).

By the following summer, the issue of boycotts and the influence of GARM on social media content began receiving more conservative media attention, such as when political commentator Ben Shapiro discussed WFA's formation of GARM and its manipulation of the advertising industry in a YouTube video, presenting the collaborative initiative as employing brand safety as a "dog whistle for censorship" and to "blacklist" companies that disseminated information they didn't "pre-approve" (Leif Le Mahieu. " Ben Shapiro Takes on Corporations Behind Censorship." *The Daily Wire*. July 29, 2023).

In response to the companies boycotting X, Musk apologized for the comment while he attended the DealBook Summit in November 2023. However, at the same event, he was asked about the criticism of his actions and the resulting loss of ad spending. He responded, "I hope they stop. Don't advertise," followed by several expletive-laden statements concerning those advertisers. He also added that he believed the public would place the blame for the potential bankrupting of X on the advertisers, rather than on him. Earlier at the same event, Walt Disney's CEO had stated that "the association with that position, and Elon Musk, and X was not necessarily a positive one for us," prompting Musk to single out the firm's CEO in his comments later in the day. Following Musk's controversial tweet, X had hired an industry veteran, Linda

Yaccarino, to help Musk mend ties with big advertising accounts, and she was in attendance during Musk's remarks at the DealBook Summit (Kate Conger, Remy Tumin. "Elon Musk Uses a Crude Insult to Slame Advertisers for Pulling Back from X." *The New York Times*. April 10, 2024).

Throughout this time, the House Judiciary Committee continued adding more GARM members to its list of companies required to submit documentation in its investigation of collusion, including the Coca-Cola Company, which received a letter from Jim Jordan in April 2024 following the firm's decision not to advertise during Spotify's Joe Rogan Experience podcast (Ja'han Jones. "Jim Jordan Backs Joe Rogan in His Latest Attack on Free Speech." *MSNBC*. April 25, 2024).

In July 2024, the House Judiciary Committee released its interim staff report, "GARM's Harm: How the World's Biggest Brands Seek to Control Online Speech." The Committee stated that the report detailed how large corporations, advertising agencies, and industry associations through the WFA and specifically its GARM initiative participated in boycotts and coordinated action to demonetize platforms, podcasts, news outlets, and other content that GARM and its members deemed disfavored.

The Committee acknowledged that GARM claimed not to impact content moderation policies or the rules that dictate what content can appear online, but it emphasized that the Committee's investigation showed that GARM's efforts were aimed at removing and defending certain content and voices. The statement from the Committee concluded that the information uncovered to date regarding WFA and GARM's collusive conduct in demonetizing disfavored content is alarming, as well as that it would continue its investigation into companies involved in this conduct to inform potential legislative reforms. It then provided the report in full, along with its appendix. While Company-owned Twitch is not mentioned in the report, it does appear multiple times in the appendix. The same day the Committee released its report on GARM, it also scheduled a hearing regarding GARM's collusion.

On August 1st, the House Judiciary Committee announced that Jim Jordan sent letters to 40 additional companies with memberships to GARM, requesting that they preserve and provide documentation relating to their involvement with the organization. The letter stated that the committee's oversight showed that GARM had "deviated far from its original intent, collectively us[ing] its immense market power to demonetize voices and viewpoints the group disagrees with." Among the questions asked in the letter were:

- What leadership roles, if any, do company employees hold in GARM, including positions on any task forces, working groups, or similarly situated sub-group?
- As explained in the committee's report, GARM's initiative lead and co-founder espoused views stating that a problem with advertising was an "extreme global interpretation of the US Constitution" and "taking US norms and applying them globally," so does the company support these views about the U.S. Constitution and the First Amendment?
- U.S. antitrust caselaw creates protections for certain group boycotts that, although coordinated, seek to influence public policy or opinion, so did the company participate in any collective boycotts with GARM or its members that the company believes are exempt from antitrust law (if yes, please list the boycotts, parties to the boycott, and the person or people responsible for organizing the boycott)?
- Was the company aware of the coordinated actions take by GARM toward news outlets and podcasts such as *The Joe Rogan Experience*, *The Daily Wire*, *Breitbart News*, or *Fox News*, or other conservative media, and does the company support GARM's coordinated actions toward these news outlets and podcasts?

Additionally, the letters requested that companies provide documentation of communications related to GARM's collusive activity, and it also provided a copy of the committee's report along with the letter.

In early August 2024, Elon Musk filed an antitrust lawsuit in the U.S. District Court for the Northern District of Texas against various advertisers and trade groups, claiming that they had conspired to withhold ad spending worth billions of dollars from X, formerly known as Twitter, due to concerns that X would "deviate from certain brand safety standards" related to advertising (Todd Sprangler. " Elon Musk's X Sues Advertisers Accused of an 'Illegal' Boycott: 'Now It Is War'." *Variety*. August 6, 2024). Musk brought the suit against the WFA, Unilever PLC, Unilever United States Inc., CVS Health Corporation, and Ørsted A/S. While it takes aim at GARM members, it does not name the Company among plaintiffs or mention the Company in the lawsuit.

Musk additionally sought to clarify at the Cannes Lions advertising festival in June 2024 that his comments at the DealBook Summit were aimed only at the advertisers, insisting that there could be no content on X with which they disagreed. In 2023, Musk also sued the Center for Countering Digital Hate ("CCDH"), which documented the risk of hate speech on X, as well as the advocacy organization Media Matters for publishing research that demonstrated ads appearing next to anti-semitic content on X. While a judge ruled that CCDH's work was protected under law and that Musk sought to punish the group for speaking negatively about X, dismissing the case, the Media Matters case was set for a 2025 trial. Following Musk's lawsuit against GARM, Linda Yaccarino stated in an open letter to advertisers that the "illegal behavior of these organizations and their executives cost X billions of dollars" and that "people are hurt when the marketplace of ideas is undermined and some viewpoints are not funded over others as part of an illegal boycott." The suit specifies that after Musk took over X, GARM, which was responsible for more than 90% of global advertising spending, advised its members to avoid X; as a result, the suit claims, 19 GARM members pulled their advertising from X, and others reduced their spending by 70% or more. It also highlights that when Musk lowered advertising prices, following a major loss of revenue, many of the GARM members refused to return, which the suit claimed was anticompetitive. X had itself been a member of GARM, though it allowed its membership to lapse following Musk's takeover. In July 2024, however, GARM announced that X was committed to the "safety of our global town square and proud to be a part of the GARM community." The House Judiciary Committee expanded its GARM investigation in late July of 2024, sending letters to more than 40 member companies requesting that they preserve documents and provide responses regarding their relationship with GARM. The video platform Rumble also filed a lawsuit against GARM in early August regarding its "coercive exercise of market power" (Kate Conger. " X, Owned by Elon Musk, Bring Antitrust Suit Accusing Advertisers of a Boycott ." *The New York Times*. August 6, 2024).

A month following the House Judiciary Committee's hearing and release of its report on collusion, and just days after Musk filed his antitrust lawsuit against the not-for-profit initiative, GARM announced that it would discontinue its activities. It noted that the recent allegations that misconstrued its purpose and activities caused a distraction and significantly drained its resources and finances. X's CEO tweeted in response to GARM's announcement that "no small group should be able to monopolize what gets monetized" and that "this is an important acknowledgment and a necessary step in the right direction." The ad tech watchdog Check My Ads, however, suggested that Musk's suit could lead to more advertisers leaving the platform. When speaking before Congress on participation with GARM, Unilever USA's president stated that his firm had the right to decide where to advertise and that "no platform has a right to our advertising dollar" (Kari Paul. " Advertisers Axe Corporate Responsibility Scheme After Lawsuit from Musk's X." *The Guardian*. August 8, 2024).

X eventually dismissed its lawsuit against Unilever, following an agreement to "continue partnership" (Rebecca Stewart. "X Drops Advertising Lawsuit Against Unilever, But Not Mars, CVS or Ørsted." *Adweek*. October 14, 2024). Just as it was dropping Unilever as a plaintiff, however, X was adding Twitch, owned by the Company, to its lawsuit. The new addition to the suit also featured documentation that GARM had highlighted an endorsement from Twitch regarding its brand safety standards (Emre Çitak. " Elon Musk's X Sues Twitch for Alleged Advertising Boycott." *DataConomy*. November 20, 2024).

Along with the congressional investigation into GARM, Texas Attorney General Ken Paxton announced in November 2024 that he would be investigating whether the WFA and GARM conspired to boycott "certain social media platforms." Paxton stated in his announcement that "trade organizations and companies cannot collude to block advertising revenue from entities they wish to undermine" and that his investigation would hold the WFA and its members "accountable for any attempt to rig the system to harm organizations they might disagree with." In response to the announcement, Musk stated that such practices were "still a major problem." Several of the companies that had withdrawn or downsized advertising on X, including the Walt Disney Company, Comcast, IBM, and other brands, had already returned to the platform months before the announcement of this new investigation (Maxwell Zeff. " Texas AG Opens Investigation into Advertising Group that Elon Musk Sued for 'Boycotting' X." *TechCrunch*. November 21, 2024). In addition to the Walt Disney Company and Comcast, Lionsgate Entertainment, Warner Bros. Discovery, and Netflix had all resumed their ad spending on X, though they were collectively spending less than in the previous year. Specifically, from January to September 2024, the Walt Disney Company was spending $550,000 less, but a spokesperson did confirm that the firm had resumed advertising on X. Musk tweeted his appreciation for the renewed advertising from major brands, sharing an announcement that included the firm in the list of returning advertisers (Lucas Manfredi. "Disney, Comcast, Lionsgate and WBD Ad Spend on Elon Musk's X Falls 98%." *Yahoo! Finance*. November 15, 2024).

Despite the return of some advertisers, Musk submitted a legal filing suggesting that X planned to submit another amended complaint by January 25, 2025, that would add "multiple additional defendants" (Nikita Mishra. "X Escalates Fight Against Advertisers." *Campaign Asia*. January 15, 2025). It remains to be seen whether Musk will move forward with this amended complaint or who the additional defendants would be. President Trump's nominee for the head of the DOJ's antitrust division, Abigail Slater, responded to questions regarding her nomination but was also asked if the companies illegally colluded to boycott conservative sites, amounting to illegal price fixing. In response, Slater stated that she couldn't answer a hypothetical but asserted that it was "fair to say, a certain amount of collusion went on via this trade association" and that "that pattern of conduct is quite troubling" (David Spector. "Trump Nominee for Antitrust Chief Testifies Anti-Conservative Advertising Trade Group Engaged in 'Collusion'." *Fox Business*. February 12, 2025).

COMPANY DISCLOSURE

In its response to this proposal, the Company states:

> *Our goal in designing our advertising policies is for our customers to experience relevant and useful ads that help them find products and services that appeal to them. Similarly, when we purchase ads from third parties to market our own products and services, we seek to most effectively reach customers wherever they may shop or are otherwise engaged. These policies and practices are not intended to promote or demote particular political or religious viewpoints. We serve customers, advertisers, and publishers that reflect a very broad range of viewpoints,*

and we take seriously our commitment to respect people from all backgrounds, which is an enduring value for us.

The Company's Amazon Ads website provides an overview of its Guidelines and Acceptance Policies, stating that all advertising content must be appropriate for a general audience and/or for the type of placement in which it will be displayed, and, as an advertiser using Amazon Ads, it is the advertiser's responsibility to make sure that both it and its ads comply with all applicable laws, rules, regulations, and industry standards in each geographical area where the advertisements may appear. It further specifies that ads may not: (i) misrepresent the products or services being promoted and may not mislead customers; and (ii) contain content that is offensive, abusive, intolerant, or harassing. It then emphasizes that its customers represent a wide array of genders, races, ethnicities, abilities, ages, religions, sexual orientations, and backgrounds, and it encourages advertisers to use diverse imagery within their ads. The Company then clarifies that its policies are not intended as legal advice, and it encourages advertisers to consult with their legal advisor if they have questions about the laws and regulations concerning their ads. It also explains that its ad policies apply to its global Display Advertising business, for placements anywhere the Company's owned-and-operated properties are there, while separate ad policies apply to sponsored ads, book ads, stores, and streaming TV.

Regarding sponsored ads, the Company states that advertisers must comply with the Company's ad policies for the ad campaigns that they run with the Company. It adds that if their ads do not comply with the Company's ad policies, their campaigns may not be approved until they fix the policy violation. Additionally, the Company states that it may suspend or terminate advertisers' ad accounts for severe or repeated ad policy violations, and it encourages advertisers to review the policies to learn about the Company's content restrictions specific to sponsored products and sponsored brands as well as which products are eligible, or ineligible, for these ad types. It notes that these polices are in addition to its advertising guidelines and acceptance policies.

Further, the Company emphasizes that it reserves the right to reject, remove, or request modifications to an ad in its sole discretion, for any reason. It also states that it may suspend or terminate ad account(s) for severe or repeated ad policy violations, and it reserves the right to reject campaigns which do not meet its policies as determined in its sole discretion. Moreover, it notes that for those policies that require prior approval by the Company, advertisers should engage their appropriate client support team, but it periodically updates its policies, so advertisers should revisit the Company's policy pages often to ensure that they're always up to date on the Company's latest policy requirements. The Company also provides a quick reference guide for an overview of common policy questions, as well as resources on related topics, including on general creative guidelines and advertiser copy, Amazon Ad Server advertising policies, Amazon Ads 3P (third-party) supply polices, and more.

Regarding its involvement with GARM, the Company announced in October 2023 that it was launching Twitch Content Controls for Premium Video as the first step towards building native sustainability controls based on the GARM framework. It noted that, as of April 11, 2024, Twitch Content Controls tiers were going to be available for display line items within the Company's Demand-Side Platform. It explained that Content Controls would allow advertisers to exclude content that might not be suitable for their brand across gaming and non-gaming content, and the controls offered three inventory tiers: expanded, moderate (default), or restrictive. It stated that each tier would progressively exclude more supply. In addition, the Company noted that advertisers would have the option to select "expanded," which would have offered less content filtering. It then stated that for advertisers with strict requirements, they could toggle the tier for additional filtering. The Company addressed why the launch was important, explaining that it allowed self-service advertisers to filter Twitch inventory to meet their brand suitability needs, and the Controls provided easy to use pre-packaged solutions. It also reviewed where the feature was available and who could use it.

Finally, its Code of Business Conduct and Ethics affirms that the Company provides equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment of any kind.

Regarding oversight, the nominating and corporate governance committee oversees and monitors the Company’s policies and initiatives relating to corporate social responsibility, including human rights and ethical business practices, and risks related to the Company’s operations and engagement with customers, suppliers, and communities. Additionally, the audit committee discusses with management, the senior internal audit executive and the independent auditors the Company's risk assessment and risk management policies, including business continuity and operational risks.

RECOMMENDATION

Glass Lewis recommends that shareholders take a close look at proposals such as this to determine whether the actions requested of the Company will clearly lead to the enhancement or protection of shareholder value. Glass Lewis believes that directors who are conscientiously exercising their fiduciary duties will typically have more and better information about the Company and its situation than shareholders. Those directors are also charged with making business decisions and overseeing management. Our default view, therefore, is that the board and management, absent a suspicion of illegal or unethical conduct, will make decisions that are in the best interests of shareholders.

In this case, the proposal requests that the Company conduct an evaluation and issue a report evaluating how it oversees risks related to discrimination against ad buyers and sellers based on their political or religious status or views. As discussed above, the Company's Code of Business Conduct and Ethics prohibits discrimination, and the Company publicly discloses information regarding its advertising guidelines and policies, including for sponsored ads. Moreover, the Company provides board-level oversight of the issues raised by this proposal as the nominating and corporate governance committee oversees and monitors the Company’s policies and initiatives relating to corporate social responsibility, including human rights and ethical business practices, and risks related to the Company’s operations and engagement with customers, suppliers, and communities.

Ultimately, we do not believe that shareholder support for this resolution is warranted. The Company provides meaningful disclosure on issues related to those raised by the proponent. Moreover, this proposal appears to implicitly attempt to intervene in the Company's advertising strategies, an area of day-to-day management that we do not believe falls under the purview of shareholders. In light of these factors, we are unconvinced that shareholders would derive commensurate or material benefit from adoption of this resolution.

We recommend that shareholders vote **AGAINST** this proposal.

6.00: SHAREHOLDER PROPOSAL REGARDING DISCLOSURE OF MATERIAL SCOPE 3 EMISSIONS

AGAINST

PROPOSAL REQUEST:	That the Company disclose all material Scope 3 GHG emissions associated with its retail sales	**SHAREHOLDER PROPONENT:**	Longview Largecap 500 Index Fund
BINDING/ADVISORY:	Precatory		
PRIOR YEAR VOTE RESULT (FOR):	15.2%	**REQUIRED TO APPROVE:**	Majority of votes cast

RECOMMENDATIONS, CONCERNS & SUMMARY OF REASONING:
AGAINST - Not in the best interests of shareholders

SASB MATERIALITY

PRIMARY SASB INDUSTRY: E-Commerce

FINANCIALLY MATERIAL TOPICS:

- *Hardware Infrastructure Energy & Water Management*
- *Employee Recruitment, Inclusion & Performance*
- *Data Privacy & Advertising Standards*
- *Data Security*
- *Product Packaging & Distribution*

GLASS LEWIS REASONING

- Particularly given its existing disclosures and initiatives, we do not believe that the proponent has sufficiently demonstrated how the Company's existing practices threaten shareholder value or that adoption of this proposal would meaningfully benefit shareholders.

PROPOSAL SUMMARY

Text of Resolution: *RESOLVED: Shareholders request that Amazon disclose all material Scope 3 greenhouse gas emissions associated with its retail sales.*

Proponent's Perspective

- The Intergovernmental Panel on Climate Change reports that immediate and significant emissions reductions are required of all market sectors to stave off the worst consequences of climate change;
- In response to the climate crisis, shareholders are seeking transparent climate-related risk disclosures from companies, including GHG emissions disclosures, to inform their investment decision-making;
- For most retailers, Scope 3 product-related value chain activities are the largest source of emissions, with product-related value chain emissions including "all the emissions generated to make the products that retailers sell (upstream emissions) and the emissions that customers create by using and ultimately disposing of the products that they purchase (downstream emissions)";
- Because they constitute a significant portion of retailers' total emissions, meaningful efforts by retailers to reduce their contribution to systemic climate risk must address these product-related emissions, but the Company does not meet this standard;
- The Company discloses product-related value chain GHG emissions only for its private label (i.e., Amazon-branded) products, but it states that private brands sales represent only about 1% of its total sales, so it therefore fails to disclose material emissions associated with 99% of the products sold on its retail platform;
- Under the Greenhouse Gas Protocol, retail companies should count the emissions associated with all relevant products sold across their product portfolio;
- Peers Target and Walmart each disclose emissions from all product sales, not just their private label products;
- Disclosing the GHG emissions associated with only a fraction of a retailer's product sales, as the Company does, risks providing a

Board's Perspective

- The Company annually reports both its absolute carbon emissions and carbon intensity, and it is transparent about the methodology behind each of the emissions models it has built to measure its carbon footprint;
- The Company has disclosed a detailed description of the comprehensive methodology underlying its emissions calculations as part of the publication of its Sustainability Report since 2019;
- The Company follows guidance from the GHG Protocol's Corporate Accounting and Reporting Standard (the "GHG Protocol Corporate Standard") in calculating the Company's GHG emissions (including Scope 3 emissions), and these are assured by independent third parties;
- Consistent with the GHG Protocol Corporate Standard, the Company focuses on accounting for and reporting those activities that are relevant to its business and goals, and for which it is able to obtain reliable information;
- Many products purchased by customers are sold by third-party selling partners who control and may report their own carbon emissions accounting, and for those products, the Company accounts for the emissions generated by their transportation to customers when it is performed or paid for by the Company;
- The GHG Protocol Corporate Standard recognizes that companies typically will not report emissions for all Scope 3 activities, including as a result of applying the principles of relevance, completeness, consistency, transparency, and accuracy;
- The Company's approach is consistent with commentary of several of its large institutional investors that have expressed reservations over mandatory and prescriptive Scope 3 emissions reporting (in contrast to Scope 1 and Scope 2 emissions reporting), including due to the inherent complexity in calculating these emissions, the inevitable double-counting of

misleading impression of the retailer's total emissions and its exposure to climate-related risk;
- By expanding disclosures to cover emissions from all of the Company's retail products, defined by the Company's most recent 10-K as sales for which the Company is the seller of record, the Company can mitigate risk across its product portfolio and demonstrate that its actions are responsive to climate regulations approved by California and the EU;
- Increased emissions disclosures will prepare the Company for growing mandatory reporting requirements and carbon pricing via carbon border adjustment mechanisms; and
- More complete Scope 3 reporting will reduce the Company's exposure to reputational risk, increase the legitimacy of its climate targets, and position the Company to be prepared for and to maximize benefits from climate-related opportunities.

As You Sow has filed an exempt solicitation urging support for this proposal.

emissions across companies, and the lack of direct control companies have over these emissions;
- The Company has identified a list of the highest-emitting suppliers directly supporting its operations, collectively contributing more than 50% of emissions to the Company's Scope 3 footprint, and it expects them to provide a plan for how they intend to decarbonize their operations; and
- The Company will continue to support businesses that are committed to decarbonizing by providing products and tools to track emissions and help decrease them, and it will prioritize working with suppliers who are committed to decarbonization and reaching net-zero carbon emissions.

GLASS LEWIS ANALYSIS

In general, we believe it is prudent for management to assess its potential exposure to all risks, including environmental and social concerns and regulations pertaining thereto in order to incorporate this information into its overall business risk profile. When there is no evidence of egregious or illegal conduct that might suggest poor oversight or management of environmental or social issues that may threaten shareholder value, Glass Lewis believes that management and reporting of environmental and social issues associated with business operations are generally best left to management and the directors who can be held accountable for failure to address relevant risks on these issues when they face re-election.

In this case, the Company's operations are organized into three segments: North America, International, and Amazon Web Services ("AWS"), and customers access its offerings through its websites, mobile apps, Alexa, devices, streaming, and physically visiting its stores. It also manufactures and sells electronic devices **(2024 10-K, p.3)**. Given the nature and scope of the Company's operations, it could be subject to significant risks with respect to both climate change and the regulatory implications or investor pressures that come as a result of climate change.

SCOPE 3 EMISSIONS

Scope 3 emissions are defined as GHG emissions, other than Scope 2 GHG emissions, that are consequences of the Company's activities but arise from GHG sources that are owned or controlled by other organizations. Setting Scope 3 targets, therefore, can be extremely challenging for companies. As a result, if not carefully considered, the adoption of such a target could significantly affect the way in which the Company operates, as, by necessity, it would mean that the Company would likely need to scale back its operations, which in no way would benefit its shareholders. We, therefore, very carefully review proposals of this nature to ensure that the ultimate request of the proposal makes sense for the Company and its shareholders, albeit in the context of a dynamic regulatory environment and a significant likelihood that companies will need to take steps to dramatically cut their emissions to meet goals set by market and regulatory initiatives. For more information concerning Scope 3 emissions, please see Glass Lewis' Scope 3 Emissions - Investor Primer.

REGULATIONS CONCERNING COMPANIES' CLIMATE-RELATED DISCLOSURE

Under the Biden administration, there was a significantly increased focus on corporate disclosures concerning companies' climate risks. For example, in February 2021, the SEC announced the creation of a new role of Senior Policy Advisor for Climate and ESG in the office of Acting Chair Allison Herren Lee. The following month, the SEC announced the creation of a Climate and ESG Task Force in the Division of Enforcement, which will develop initiatives to proactively identify ESG-related misconduct. Its initial focus will be to identify any material gaps or misstatements in issuers' disclosure of climate risks under existing rules, while it will also evaluate and pursue tips, referrals, and whistleblower complaints on ESG-related issues, and provide expertise and insight to teams working on ESG-related matters across the Division. Additionally, the SEC is asking its staff to evaluate its disclosure rules "with an eye toward facilitating the disclosure of consistent, comparable, and reliable information on climate change." To facilitate the staff's assessment, the SEC provides several questions that would be useful to consider; one reads: "What are registrants doing internally to evaluate or project climate scenarios, and what information from or about such internal evaluations should be disclosed to investors to inform investment and voting decisions?" However, the SEC confirmed in September 2024 that it had recently disbanded the Climate and ESG Task Force (Andrew Ramonas. "SEC Abandons ESG Enforcement Group Amid Broader Backlash (1)." *Bloomberg Law.* September 12, 2024).

In 2021, Gary Gensler, then-chair of the SEC indicated that he will work to provide investors with meaningful climate risk disclosures, and these efforts may be supported by regulators or new rules to that effect. In preparation for increased regulation and enforcement propelling existing market trends, companies have taken a number of actions including assigning some responsibility for oversight of published climate data to the audit committee (Kirkland & Ellis. " Improving Climate Governance Under the Biden Administration." *Corporate Secretary*. March 23, 2021). This is consistent with the Task Force on Climate-related Financial Disclosures, which states:

> *A company should ensure its strategy and scenario disclosures comply with sound corporate reporting principles and are subject to appropriate controls and quality checks, including oversight and review by boards, audit committees, and management.*

On March 21, 2022, the SEC announced proposed rules on climate disclosure, which are intended to provide companies "with a more standardized framework to communicate their assessments of climate-related risks as well as the measures they are taking to address those risks" in addition to increasing the "consistently, comparability, and reliability of climate-related information for investors." Alongside a number of other disclosures, the proposed rules would require companies to provide in their regulatory filings:

- Footnotes in financial statements detailing the impact of climate-related events (severe weather events as well as physical risks) and transition activities on the line items of their consolidated financial statements. These footnotes would also detail related expenditures, as well as the effect of climate-related events and transition activities on the companies' financial estimates and assumptions.
- Climate-related risks that are reasonably likely to have a material impact on the company's business or consolidated financial statements over the short, medium, and long term. Companies would also have to describe how any identified climate-related risks have affected or are likely to affect the company's strategy, business model, and outlook, as well as their processes for identifying, assessing, and managing climate-related risks. The proposed rules would also require companies to provide specified details if they have: (i) adopted a transition plan; (ii) used scenario analysis; or (iii) used an internal carbon price.

In early March 2024, the SEC approved a final rule requiring climate disclosure from some public companies but with revisions that weakened the directive. The Commission stated that it considered more than 24,000 comment letters, including more than 4,500 unique letters, regarding the proposed rule before voting on the final version. Notably, the ruling, which was supported by three Democratic commissioners and opposed by two Republican commissioners, does not require companies to report their Scope 3 emissions, as originally proposed. Further, while it does require that impacted companies report Scope 1 and 2 emissions, it stipulates that they only have to report those Scope 1 and 2 emissions that they deem material, with smaller companies not having to report any emissions at all. Companies providing disclosure will also have to include things such as expected costs of moving away from fossil fuels and risks related to physical impacts exacerbated by climate change. The SEC estimated that approximately 2,800 U.S. companies and approximately 540 foreign companies with businesses in the U.S. will have to make disclosures under the new rule (Suman Naishadham. "SEC Approves Rule Requiring Some Companies to Report Greenhouse Gas Emissions, Legal Challenges Loom." *AP News*. March 6, 2024).

The largest companies will begin reporting emissions for fiscal year 2026, and smaller companies will have to disclose some information, excluding emissions, for the fiscal year 2027. Just after the vote on the final rule, ten states filed a challenge with the U.S. Court of Appeals for the 11th Circuit, announced by West Virginia's attorney general. Many following the SEC's two-year process to develop the rule believed that the changes, including the removal of Scope 3 emissions disclosure, were made to minimize the risk of litigation. Those supporting climate disclosure, however, voiced concern that the changes have greatly diminished the power of the directive (Suman Naishadham. " SEC Approves Rule Requiring Some Companies to Report Greenhouse Gas Emissions, Legal Challenges Loom." *AP News*. March 6, 2024).

The SEC issued an order on April 4, 2024, pausing implementation of its controversial climate disclosure rules pending a decision on the regulations by the Eighth Circuit. The nine lawsuits challenging the rules, which were filed in six different circuit courts, were consolidated into one suit on March 21 through a lottery. The Eight Circuit was designated as the court to hear that suit. Despite putting a stay on its rules, the SEC says in the order that it "is not departing from its view that the final rules are consistent with applicable law and within the commission's long-standing authority to require the disclosure of information important to investors in making investment and voting decisions." The commission also vows to "vigorously defend the final rules' validity in court."

In an August 2024 court brief, the SEC defended its ability to require climate-related disclosures, stating that the 1933 Securities Act and 134 Securities Exchange Act empowered it to require corporations to report details investors need to make informed decisions. The agency's argument was in response to the Supreme Court's recent decision in *Loper Bright Enterprises v. Raimondo*, which limits federal agencies' ability to defend some regulations by rolling back judicial deference to rulemaking decisions (Andrew Ramonas. "SEC Climate Regulations Spared in Chevron Ruling, Agency Says." *Bloomberg Law*. August 6, 2024).

In February 2025, the acting chair of the SEC, Mark Uyeda, instructed staff to ask the U.S. Eighth Circuit Court of Appeals not to schedule arguments relating to the agency's climate risk disclosure rule. The acting chair cited various objections to the rule, such as that the SEC lacked the authority to address climate change issues, in addition to listing the recent change in the composition of the SEC and President Trump's memorandum regarding a regulatory freeze as reasons to delay. He requested time for the Commission to deliberate and determine the appropriate next steps.

State-Level Climate Disclosure Laws

Despite an uncertain future for federal climate disclosure laws, several states have introduced their own bills to require climate disclosure. For example, New York, Colorado, New Jersey, and Illinois have introduced bills that would require companies making more than $1 billion in annual revenue and doing business in their states to report direct and indirect GHG emissions every year or risk civil action from their respective attorneys general (Drew Hutchinson. " States Advance Climate Disclosure Proposals As SEC Steps Back." *Bloomberg Law*. February 28, 2025). Mostly notably, however, California has also introduced legislation aimed at increasing corporate climate disclosure.

In October 2023, California Governor Gavin Newsom signed rules into law requiring companies that are active in the state and generate revenue of more than $1 billion annually to publish a comprehensive account of their carbon emissions beginning in 2026. It is estimated that the new laws apply to about 1,400 U.S. listed companies (Isla Binnie. " Companies Fear Lawsuits from California's Climate Disclosure Rules." *Reuters*. October 12, 2023).

The Climate Corporate Data Accountability Act, requires certain companies to disclose their direct, indirect, and value chain GHG emissions, and the Climate-Related Financial Risk Act, requires certain companies to disclose climate-related financial risks pursuant to the Task Force on Climate-Related Financial Disclosures ("TCFD") recommendations (Loyti Cheng, et al. " California Enacts Major Climate-Related Disclosure Laws." Harvard Law School Forum on Corporate Governance. October 22, 2023).

The California legislation was supported by several large companies, including Microsoft, Apple, and Ikea (Isla Binnie. "California Senate Passes Climate Bill, Governor Must Decide by Oct 14." *Reuters*. September 13, 2023). However, the U.S. Chamber of Commerce, along with the American Farm Bureau Federation and several California business groups filed a lawsuit in Los Angeles federal court in January 2024 seeking to overturn the new climate disclosure laws, citing "massive" costs on businesses and violating free speech protections in the U.S. Constitution by mandating disclosures of GHG emissions and climate-related financial risks (Clark Mindock. "California's Landmark Climate Disclosure Laws Challenged by Business Groups ." *Reuters*. January 30, 2024). Notably, unlike the SEC rules, California's laws do require companies to report on their Scope 3 emissions (Heny Engler. "Companies Need to Integrate Climate Reporting Across Functions to Comply with California's New Law." *Reuters*. October 20, 2023).

In May 2024, Governor Newsom revised California's 2024-2025 budget proposal to include $22 million to fund the state's corporate climate disclosure laws, SB 253 and SB 261, among other climate programs (Leah Garden. " California Proposes $22 Million for Climate Disclosure Law." *GreenBiz*. May 16, 2024). However, in July 2024, he proposedamendments to the climate laws that would postpone their implementation by two years. The proposed amendments would delay reporting on Scopes 1 and 2 until 2028, and Scope 3 until 2029. The amendments would also give the California Air Resources Board more flexibility in creating the rules and phasing in Scope 3 reporting (Emmy Hawker. " Newsom Delays California Climate Disclosures." *ESG Investor*. July 16, 2024). Nevertheless, the California legislature rejected Newsom's proposed amendments and instead passedSB 219, which provided the government regulatory agencies an additional six months to draft the regulation, but did not delay the effective date for the companies subject to the disclosure. On September 27, 2024, Newsom signed the bill (Jacob H. Hupart. "California Governor Newsom Signs Bill Re-Affirming 2026 Start Date for Climate Disclosures." *The National Law Review*. October 2, 2024).

Recently, the California Air Resources Board ("CARB") issued an enforcement notice for SB 253 in December 2024, stating that subject companies making a good-faith effort to comply with the rule will not face penalties for incomplete Scope 1 and Scope 2 GHG emissions disclosures, and may submit initial disclosures in 2026 based on data they possess, or are in the process of collecting. Shortly after, CARB also began soliciting public comment on SB 216 to guide, among other things, the definition of "doing business" in California, cost-effective methods to identify businesses that meet reporting thresholds, and incorporating external protocols and standards while ensuring regulations meet California-specific needs and continue to align with such protocols and standards. The deadline to submit public comments was set to late March 2025 (Paul C. De Bernier, Stephanie M. Hurst, Anthony Felix. "California's Climate Disclosure Laws: Navigating the Latest Updates." *Mayer Brown*. February 21, 2025).

THE COMPANY'S CLIMATE-RELATED RISKS

In its most recent 10-K, the Company acknowledges that demand for its products and services can fluctuate significantly for many reasons, including as a result of seasonality, natural or human-caused disasters (including public health crises) or extreme weather (including as a result of climate change) (2024 10-K, p.8). It states that its sales and operating results will fluctuate for many reasons, including, among other things: (i) disruptions from natural or human-caused disasters or extreme weather (including as a result of climate change); and (ii) potential negative impacts of climate change, including increased operating costs due to more frequent extreme weather events or climate-related changes, such as rising temperatures and water scarcity, increased investment requirements associated with the transition to a low-carbon economy, decreased demand for its products and services as a result of changes in customer behavior, increased compliance costs due to more extensive and global regulations and third-party requirements, and reputational damage resulting from perceptions of the Company's environmental impact. Additionally, the Company explains that its ability to receive inbound inventory efficiently and ship completed orders to customers may also be negatively affected by natural or human-caused disasters or extreme weather (including as a result of climate change), among other things. It also affirms that its computer and communications systems and operations in the past have been, or in the future could be, damaged or interrupted due to events such as natural or human-caused disasters or extreme weather, including as a result of climate change (pp.9-11). Finally, the Company acknowledges that government regulation is evolving, and unfavorable changes could harm its business. Specifically, it is subject to general business regulations and laws, as well as regulations and laws governing the internet, physical, e-commerce, and omnichannel retail, digital content, web services, electronic devices, advertising, artificial intelligence technologies and services, and other products and services that it offers or sells, and that these regulations and laws cover electronic waste, energy consumption, environmental and climate-related regulation, among other things (p.14).

COMPANY AND PEER DISCLOSURE

Company Disclosure

The Company discloses its enterprisewide carbon footprint for the years 2019 to 2023 in its latest Sustainability Report, and the data includes emissions from direct operations (Scope 1), emissions from purchased electricity (Scope 2), and also emissions from indirect sources (Scope 3). The Company breaks down Scope 3 emissions into categories including: (i) purchased goods and services (Company corporate purchases made for the Company's operations and services, and Company-branded products); (ii) capital goods; (iii) fuel- and energy-related activities; (iv) upstream transportation and distribution; (v) business travel; (vi) employee commuting; (vii) downstream transportation and distribution; (viii) use of sold products (Company devices); and (ix) end-of-life treatment of sold products (Company devices). The Company specifies that its Scope 2 and 3 carbon emissions are calculated using a market-based method. Further, it explains that in 2023, its absolute carbon emissions decreased by 3%, which it states was driven by an 11% reduction in emissions from electricity (Scope 2) and a 5% decrease in indirect and supply chain emissions (Scope 3). Despite a 7% increase in emissions from its direct operation (Scope 1), primarily from the use of transportation fuels, the Company notes that its carbon intensity decreased for the fifth consecutive year, down 13% from 2022 to 2023 (p.11).

Specifically regarding reducing its Scope 3 emissions, the Company states that in 2023, its Scope 3 emissions decreased by 5% from 2022 and represented 75% of its total carbon footprint. It explains that this decrease resulted from reductions related to building construction, leased buildings and equipment, and third-party transportation, as more goods were shipped by the Company's own logistics providers versus third-party providers. With respect to its supply chain, the Company aims to reduce embodied carbon in building construction by using lower-emission concrete, lower-emission steel, and mass timber. Additionally, the Company acknowledges that because Scope 3 emissions are beyond its direct operational control, the efforts its suppliers take to reduce their emissions help the Company progress toward its ambition to achieve net zero carbon emissions by 2040. The Company also affirms that it will prioritize working with suppliers who are also committed to decarbonization and reaching net zero carbon emissions. It adds that it has identified a list of the highest-emitting suppliers directly supporting the Company's operations and it expects those suppliers, who collectively contribute more than 50% of emissions globally to the Company's Scope 3 footprint, to provide a plan for how they will decarbonize their operations and demonstrate real progress over time. Further, the Company will prioritize its business toward those who provide their plans and results on their path to net zero carbon emissions. It also notes that it is already working with many of these suppliers and will continue its engagement and share learnings (p.13).

The Company emphasizes its co-founding of the Climate Pledge, a $2 billion venture investment program, and its associated commitment to reach net zero emissions by 2040. It states that it is investing in companies that are building breakthrough technologies and other solutions that could, longer-term, lower the overall cost of decarbonization, even in hard-to-abate sectors (p.13). Additionally, the Company discusses launching its " Amazon Sustainability Exchange," a free, publicly available website that democratizes our guidelines, playbooks, science models, and other resources to help other companies make meaningful progress toward net zero carbon emissions (p.21).

The Company's Supply Chain Standards encourage suppliers to continuously improve energy efficiency and reduce energy consumption and GHG emissions. Further, it states that suppliers should track, document, and, upon request, report GHG emissions to the Company. Moreover, the standards encourage suppliers to establish a GHG reduction goal and publicly report against their progress (p.9).

Additionally, the Company provides websites on its climate and sustainability efforts, climate solutions, policy action for climate progress, and its policy position on climate change.

Regarding board oversight of climate-related issues, the nominating and corporate governance committee oversees and monitors the Company's environmental and sustainability policies and initiatives, including the Company's progress on The Climate Pledge, and risks related to the Company's operations, supply chain, and customer engagement. It also oversees and monitors risks related to the Company's operations and engagement with customers, suppliers, and communities, other than with respect to human capital management matters, which are overseen by the leadership development and compensation committee.

Peer Comparison

Although we believe that Alphabet and Meta are appropriate peers for most purposes, given they are primarily technically technology companies, we understand that comparing their Scope 3 emissions may not provide the appropriate context for this issue given the Company, unlike its tech peers, is also a large retailer. We believe that potentially more appropriate comparisons are Walmart and Target Corporation. The proponent elaborates that peers Target and Walmart each disclose emissions from all product sales, not just their private label products. The proponent also states that disclosing the GHG emissions associated with only a fraction of a retailer's product sales, as the Company does, risks providing a misleading impression of the retailer's total emissions and its exposure to climate-related risk.

To compare, **Walmart Inc.** (NYSE: WMT) has released CDP reports, in both 2022 and 2023 where it provides additional information concerning its Scope 3 disclosure. Specifically with regard to its 2023 report, it does not provide a calculation of several relevant categories of emissions. Although it does provide disclosure of the emissions from its purchased goods and services, it states that it has estimated this information using a spend-based method. However, it does not provide information on the following relevant (i.e., material) categories of Scope 3 emissions, and provides explanations for not disclosing such information:

- Use of Sold Products:
  - Emissions from the use of sold products are relevant to Walmart. In an effort to improve the accuracy and completeness of our Scope 3 footprint, Walmart is re-estimating its emissions for this category. Walmart's approach to re-estimation attempts to utilize credible, and science-based Scope 3 accounting methodologies, in addition to new data sets and a robust process of quality control and assurance. At the time of reporting, that work was ongoing.
- End of Life Treatment of Sold Products:
  - Category 12 includes emissions from the waste disposal and treatment of products sold by the reporting company (in the reporting year) at the end of their life. Walmart is working to ensure high-quality mass data is available for this calculation consistent with the GHG protocol as well as to better understand customer disposal behavior patterns across its global footprint. This category is a noted area for future improvement.

We also believe it is relevant to note that Walmart states the following with regard to its Scope 3 footprint analysis:

> *A broad estimate of indirect emissions produced at every stage of production and consumption of the products we sell globally in a given year, using high-level category sales data and industry average emissions factors. We expect our Scope 3 footprint to be positively impacted as Walmart continues to engage our supply chain to address key sources of Scope 3 emissions, and secures additional, and in some cases more accurate, data from suppliers.*

It also states that while many projects that produce a positive result under Project Gigaton (through which Walmart engages suppliers to pursue projects that have a measurable reduction on GHG emissions) can also positively impact Walmart's Scope 3 footprint, data gaps and immature Scope 3 footprint estimation methodologies mean that these efforts and results cannot be fully reconciled.

Regarding oversight, the nominating and governance committee reviews and advises management regarding the firm's social, community, and sustainability initiatives, and the firm's strategy for public disclosure and reporting on ESG and related issues, including those related to climate change.

To further compare, **Target Corporation** (NYSE: TGT) maintains a goal to reduce absolute Scope 1, 2 GHG emissions by 55% and Scope 3 GHG emissions by 32.5% below 2017 levels by 2030 (from retail purchased goods and services, upstream and downstream transport, and use of sold product), as well as a goal to achieve net zero GHG emissions across its enterprise (Scopes 1,2, and 3) by 2040. It notes that, in FY2023, it reduced GHG emissions from its supply chain (Scope 3) by 3.9% from the 2017 baseline, and its GHG emissions from its own operations (Scope 1 and 2) decreased by 38%. It then discusses supplier collaboration to deliver on the firm's Scope 3 commitments, adding that in FY2023, suppliers that account for 71% of its spend, equating to 734 suppliers, have set science-aligned emission reduction targets, marking meaningful progress towards its goal of reaching 80% suppliers. Further, it explains that its suppliers have reported improvements in their Scope 1 and 2 emissions reduction efforts relative to the 2017 baseline, which led to a 6.3% reduction. Additionally, Target requests that all the suppliers it is collaborating with complete the CDP Climate Questionnaire.

Target also provides its CDP climate reports from 2014 to its latest, 2023, and states its near-term science-based target covers its retail purchased goods and services, which includes both forest, land, and agriculture ("FLAG") and non-FLAG emissions. It then adds that it is currently undergoing a review of its land sector emissions to ensure all relevant emission sources are included, but its near-term science-based target does not currently address any other Scope 3 categories. Further, the firm notes that it is reevaluating its near-term target as part of its net zero target submission, and plans to include more Scope 3 categories to cover greater than 90% of its Scope 3 footprint (pp.40-41).

In its most recent Sustainability and Governance Report, Target affirms that its Scope 3 goal emissions have decreased by 12.7% year-over-year from 2022, though it notes that supplier-reported emission reductions were not yet reported for 2023 at the time of publication and were not reflected in this figure. It then states that the majority of its reductions resulted from the greening of the grid, which led to reductions across purchased goods and services and use of sold products. Additionally, transportation efficiencies have continued to lower costs to provide products to its guests and reduce related emissions (p.7). It also discloses that its total Scope 3 emissions have decreased 2.4% from its 2017 baseline and 14% year-over-year from 2022, though it again notes that supplier-reported emissions reductions were not yet reported for 2023 at the time of publication and were not reflected in this figure. The firm also stated that 66% of its suppliers reported via the CDP Climate Questionnaire (p.13).

Finally, the firm discusses strategic partnerships focused on reducing Scope 3 emissions, and provides further information regarding reducing its supply chain footprint. It explains that it updated its 2030 absolute supply chain emissions (Scope 3) reduction goal to cover not only purchased goods and services, but also upstream and downstream transportation, and use of sold products. Further, regarding the use of sold products, Target states that, to fill current gaps in reporting and align how retailers measure, compare, and communicate GHG emissions from appliances, electronics, and outdoor power equipment, it partnered with The Retail Industry Leaders Association, Optera and Lowe's to create the Direct-Use Product Emissions Database, supported by Optera (p.14).

With respect to oversight of this issue, the governance and sustainability committee of the board is responsible for oversight of environmental stewardship practices, including climate and energy, among others (pp.3-4). The committee also oversees Target's overall approach to ESG and corporate responsibility matters, including alignment of such efforts with the firm's strategy, identification of the ESG-related topics that are most relevant and important to the firm and any goals or aspirations related thereto, and external reporting on ESG and corporate responsibility matters, among other things.

Although it appears that Walmart and Target currently provide more disclosure than the Company with respect to Scope 3 emissions, we believe that it is important to note the complexity in estimating and reporting these emissions. Further, Walmart and Target do not currently produce disclosure against all relevant categories of Scope 3 emissions, with both firms discussing significant uncertainty in the information they are able to produce. As such, we do not necessarily believe that the Company materially lags Walmart and Target with regard to its disclosure of these emissions nor do we believe that the Company's lack of disclosure in this regard represents a competitive disadvantage or an issue that would "mislead" investors, as indicated by the proponent. Further, with regard to this statement, we note that the Company states that "the GHG Protocol Corporate Standard also notes that due to company discretion in calculating Scope 3 emissions, 'Scope 3 may not lend itself well to comparisons across companies.'"

Summary

GRI/SASB-Indicated Sustainability Disclosure	SASB (pp.3-19)
Peer Comparison	We find that the Company's GHG emissions disclosure appears to relatively align with that of its peers, as they all disclose their carbon footprints, with data on Scopes 1, 2, and 3. All three companies also provide Scope 3 category breakdowns and discuss initiatives to work with suppliers and vendors to report Scope 3 emissions in their value chains.
Analyst Note	The Company provides sufficient disclosure for shareholders to understand how it is managing reporting requirements related to GHG emissions across its whole value chain, as well as the associated risks. It also maintains board-level oversight of climate-related matters and commitments. The Company also affirms that it has identified a list of the highest-emitting suppliers directly supporting its operations, collectively contributing more than 50% of emissions to the Company's Scope 3 footprint, and it expects them to provide a plan for how they intend to decarbonize their operations.

RECOMMENDATION

This proposal requests that the Company disclose all material Scope 3 greenhouse gas emissions associated with its retail sales. Upon review, we are not convinced that the proponent has successfully argued that adoption of this proposal would lead to an increase in shareholder value or that it would mitigate any direct risk to shareholders. Further, the proponent makes no argument that full disclosure of Scope 3 emissions by other competitor companies led to a reduction in costs or an increase in customers or revenue, or that such disclosure led to any tangible benefit.

Particularly for companies of the Company's size and scope, we believe that a best effort should be made to ensure that its strategies take into account issues related to climate change. We believe that issues, including extreme weather patterns, a more stringent regulatory framework on climate-related issues, and changing public perceptions on account of climate change, can all have real and disruptive effects on companies. However, we note that the Company's own GHG emissions do not present a material risk for the Company, according to SASB, and the proponent has failed to demonstrate otherwise. As such, we question the targeting of this resolution to some degree, as the proponent has not provided any arguments as to why adoption of this proposal would benefit shareholders. We, therefore, have concerns regarding the targeting of this proposal.

Moreover, it does not appear that the Company has neglected issues related to its value chain emissions. For example, the Company discloses Scope 3 emissions, including breakdowns by category (with new categories added to this year's disclosure), with its 2023 carbon footprint and states that in 2023, its Scope 3 emissions decreased by 5% from 2022. It also specifically addresses the difficulties of Scope 3 reporting and notes that its Supply Chain Standards set forth the Company's expectation that suppliers track, document, and, upon request, report GHG emissions to the Company. Moreover, it states that it has identified a list of the highest-emitting suppliers directly supporting its operations, collectively contributing more than 50% of emissions to the Company's Scope 3 footprint, and it expects them to provide a plan for how they intend to decarbonize their operations. In addition to discussing its investments and partnerships towards developing accurate reporting methodology, the Company asserts that it will continue to support businesses that are committed to decarbonizing by providing products and tools to track emissions and help decrease them, and it will prioritize working with suppliers who are committed to decarbonization and reaching net zero carbon emissions. As a result, we do not find demonstrable evidence that shareholders' interests have been harmed as a result of the Company's actions or inactions related to these matters nor that there is strong reason to suspect that the Company will not continue to make progress toward its environmental commitments or continue to enhance the rigor of these commitments.

Particularly in light of the Company's existing disclosures (which the Company has continually improved) and targets, it is our view that the proponent has not meaningfully addressed the challenges in implementing its request nor has it sufficiently demonstrated how the Company's existing practices threaten shareholder value or that adoption of this proposal would meaningfully benefit shareholders. We will continue to monitor the Company's approach to its climate disclosures and may change our recommendation on future proposals should it become clear that the Company is not making sufficient progress toward its commitments or that it is managing its climate-related risks in a way that jeopardizes shareholder value. However, we do not believe support for this resolution is warranted at this time.

We recommend that shareholders vote **AGAINST** this proposal.

7.00: SHAREHOLDER PROPOSAL REGARDING CLIMATE COMMITMENTS AND AI DATA CENTERS

AGAINST

PROPOSAL REQUEST:	That the Company issue a report explaining how it will meet its climate commitments it has made on GHG emissions, given growing AI energy demands	**SHAREHOLDER PROPONENT:**	Emily Cunningham
BINDING/ADVISORY:	Precatory		
PRIOR YEAR VOTE RESULT (FOR):	N/A	**REQUIRED TO APPROVE:**	Majority of votes cast

RECOMMENDATIONS, CONCERNS & SUMMARY OF REASONING:
AGAINST - Not in the best interests of shareholders

SASB MATERIALITY

PRIMARY SASB INDUSTRY: E-Commerce

FINANCIALLY MATERIAL TOPICS:

- *Hardware Infrastructure Energy & Water Management*
- *Employee Recruitment, Inclusion & Performance*
- *Data Privacy & Advertising Standards*
- *Data Security*
- *Product Packaging & Distribution*

GLASS LEWIS REASONING

- We believe that the Company's existing disclosures adequately address the issues raised by the proponent and provide a sufficient basis for shareholders to understand how the Company is managing these issues and how it is integrating its use of AI in its climate commitments.

PROPOSAL SUMMARY

Text of Resolution: *RESOLVED: Shareholders request that Amazon issue a report explaining how it will meet the climate change-related commitments it has made on greenhouse gas emissions, given the massively growing energy demand from artificial intelligence and data centers that Amazon is planning to build.*

Proponent's Perspective

- The Company plans massive data center expansion in the coming years, reportedly planning to spend almost $150 billion in the coming 15 years, anticipating a boom in artificial intelligence;
- Cloud computing is the Company's top source of profits, decisions related to data centers are vital to corporate strategy, and data center power poses particular risks;
- Data center power demand may more than double, from 1-2% of global power now to 3-4% by 2030, though some analysis suggests a range of possible scenarios;
- The Company has made high-profile climate commitments central to its corporate strategy, including its Climate Pledge in which it has committed to net zero carbon emissions by 2040 and matching 100% of the electricity it uses with renewable energy by 2030;
- A number of factors raise concerns about the Company's ability to meet its climate commitments while expanding data centers for artificial intelligence;
- Utilities in a number of geographies are planning expansion of fossil power, or pushing back retirement dates, to meet data center demand, such as in Virginia, which has the world's largest concentration of data centers and is also called "home" by Amazon Web Services;
- As a central part of meeting energy demand going forward, the Company has announced it will invest in small modular nuclear reactors, but these will not deliver power until the early 2030s, so they can not help meet the Company's growing power demands for the remainder of this decade; and
- To meet its climate commitments, the Company relies on renewable energy credits or certificates, but this approach faces new questions in the context of rapidly rising energy demand.

Board's Perspective

- The Company remains focused on meeting its climate goals, and already provides regular, public updates on its progress, initiatives, and work to meet its goals, including its efforts to reduce the carbon footprint of artificial intelligence workloads and to make its new data centers more sustainable;
- The Company's current public reporting already addresses the specific challenges highlighted by this proposal and makes the report requested in this proposal unnecessary;
- In 2023, the Company reduced its absolute carbon emissions by 3%, and its carbon intensity decreased for the fifth consecutive year, down 13% from 2022 to 2023, demonstrating how the Company is working to decouple emissions growth from business growth;
- The Company has made great progress and is continuing to work at increasing the energy efficiency of its data centers, including through advances in cooling efficiency, hardware design, and data management strategy optimization; and
- The Company is working to decrease the carbon footprint of its data centers, including by using carbon-free sources of energy (including wind and solar power, as well as nuclear energy), using lower-carbon alternatives for building construction, and increasing operational efficiency.

Majority Action has filed an exempt solicitation urging support for this resolution

GLASS LEWIS ANALYSIS

In general, we believe it is prudent for management to assess its potential exposure to all risks, including environmental and social concerns and regulations pertaining thereto in order to incorporate this information into its overall business risk profile. When there is no evidence of egregious or illegal conduct that might suggest poor oversight or management of environmental or social issues that may threaten shareholder value, Glass Lewis believes that management and reporting of environmental and social issues associated with business operations are generally best left to management and the directors who can be held accountable for failure to address relevant risks on these issues when they face re-election.

In this case, the Company's operations are organized into three segments: North America, International, and Amazon Web Services ("AWS"), and customers access its offerings through its websites, mobile apps, Alexa, devices, streaming, and physically visiting its stores. It also manufactures and sells electronic devices (2024 10-K, p.3). This proposal is largely focused on the Company's use of artificial intelligence ("AI"), which generally requires significant energy output. Given AI is relatively new and constantly developing, this proposal is focused on how the Company's increasing use of this energy-intensive technology will affect the Company's stated climate commitments.

DATA CENTER ENERGY USAGE

As part of its rationale for this proposal, the proponent states that the Company plans massive data center expansion in the coming years, reportedly planning to spend almost $150 billion in the coming 15 years, anticipating increasing use of AI.

Data centers are generally used to house servers, storage systems, networking equipment, cooling and environmental control, uninterruptible power supply batteries and backup power generators, and other infrastructure related to AI model training and deployment. AI capabilities have quickly accelerated, due to falling computation costs, a surge in data availability, and technical breakthroughs. Moreover, in the past few years, AI has shifted from an academic pursuit to a commercial industry with trillions of dollars in market capitalization and venture capital. For example, the market capitalization of AI-related firms in the S&P 500 has grown by around $12 trillion since 2022. However, AI technology requires significant amounts of energy, with the typical AI-focused data center consuming as much electricity as 100,000 households, with some requiring up to 20 times that much.

Global Energy Demand for AI Data Centers

Data centers are relatively new actors in the global energy system. However, in 2024, electricity consumption from data centers was estimated to equal about 415 terawatt hours ("TWh") or about 1.5% of global electricity consumption, marking a 12% per year increase over the last five years.

Because the rise in the use of AI is accelerating the deployment of high-performance accelerated servers, leading to greater power density in data centers, understanding the place and scale of accelerator adoption is critical, given that it will be a key determinant of future electricity demand. Moreover, t here is substantial uncertainty both about data center consumption today and in the future, and while the technology sector moves quickly and a data center can be operational in two to three years, the broader energy system requires longer lead times to schedule and build infrastructure, which often requires extensive planning, long build times, and high upfront investment. In addition, data centers tend to concentrate in specific locations, making their integration into the grid potentially more challenging.

The IEA provides four scenarios (Base, Lift-Off, High Efficiency, and Headwinds) forecasting global electricity demand associated with data centers, with each scenario forecasting an increase in electricity demand, though the Headwinds scenario, which imagines slower than expected AI adoption, only increases to less than 2% in 2035. The agency concludes that data center electricity consumption is set to more than double to around 945 TWh by 2030, with the U.S. accounting for by far the largest share, followed by China. In fact, in December 2024, the U.S. Department of Energy ("DOE") released a report forecasting that domestic energy usage from data centers would double or triple by 2028. For example, data centers consumed about 4.4% of total U.S. electricity in 2023, and that amount was expected to grow to 6.7-12% of total U.S. electricity by 2028.

THE COMPANY'S DATA CENTER RISKS

In the Company's most recent 10-K, it acknowledges that it faces risks related to successfully optimizing and operating its fulfillment network and data centers. Specifically, the Company explains that failures to adequately predict customer demand and consumer spending patterns or otherwise optimize and operate its fulfillment network and data centers successfully from time to time result in excess or insufficient fulfillment or data center capacity, service interruptions, increased costs, and impairment charges, any of which could materially harm its business. The Company states that as it continues to add fulfillment and data center capability or add new businesses with different requirements, its fulfillment and data center networks become increasingly complex and operating them becomes more challenging. It also affirms that there can be no assurance that the Company will be able to operate its networks effectively (2024 10-K, p.10).

COMPANY AND PEER DISCLOSURE

Regarding its climate commitments, the Company shares its Climate Pledge to reach net zero carbon across its global operations by 2040, and it emphasizes in its response to this proposal that the Company remains focused on meeting its climate goals and that:

> *As part of The Climate Pledge, we already provide regular, public updates on our progress, initiatives, and work in pursuit of our net zero goals, including our efforts to reduce the carbon footprint of AI workloads and to make our new data centers more sustainable, as detailed further below. When we set our goals, we did so with the expectation that our operations would continue to grow. Our progress toward a net-zero carbon business will not be linear, and each year as our various businesses grow and evolve, we expect to produce different results. These results will be influenced by significant changes to our business, investments in growth, and meeting the needs of our customers.*

The Company provides information on progress related to its carbon footprint in its most recent Sustainability Report, stating that in 2023 it reduced its absolute carbon emissions by 3% and that its carbon intensity decreased for the fifth consecutive year, down to 13% from 2022 to 2023 (p.11). Additionally, it discusses carbon-free energy and highlights that it reached its goal of matching 100% of the electricity consumed by its global operations with renewable energy in 2023, seven years ahead of its 2030 target (pp.12,24). It also discusses data centers powered with renewable energy and states that its energy supply from utilities, combined with renewable energy it procures globally, means that 100% of the electricity consumed by 22 AWS data center regions is matched with renewable energy sources, an increase from 19 regions in 2022 (p.26).

Additionally, the Company discusses six ways AWS innovates to increase efficiency and reduce the carbon footprint of AI workloads on its website, including:

- Designing data center infrastructure to increase efficiency;
- Improving how it cools its facilities;
- Transitioning to carbon-free energy sources;
- Developing purpose-built silicon for AI workloads;
- Using more sustainable construction practices; and
- Enabling efficient data storage and replication strategies.

Regarding purpose-built silicon for AI workloads, the Company states that it has developed purpose-built silicon like AWS Trainium chip and AWS Inferentia chips to achieve significantly higher throughput than comparable accelerated compute instances, enabling AWS to efficiently execute AI models at scale, reducing the carbon footprint for similar workloads, and enhancing performance per watt of power consumption. Moreover, in December 2024, the Company announced its new data center components to support AI innovation and further improve energy efficiency, explaining that its new set of flexible data center components would support the next generation of generative AI innovation and provide 12% more compute power while improving availability and efficiency. Among the upgrades for energy efficiency and sustainability are:

- A more efficient cooling system that is expected to reduce mechanical energy consumption by up to 46% compared to its previous design during peak cooling conditions, without increasing water usage on a per-megawatt basis, with design changes including a new single-sided cooling system, reduction in cooling equipment, and introduction of liquid cooling capabilities;
- Reduction of embodied carbon in the concrete of the data center building shell by up to 35%, compared to the industry average, with AWS adopting specifications for lower-carbon steel and concrete, and optimizing the structural design to use less steel overall; and
- Capability for backup generators to run on renewable diesel, a biodegradable and non-toxic fuel that can reduce GHG emissions by up to 90% over the fuel’s lifecycle when compared to fossil diesel, with AWS having already started transitioning to renewable diesel to power backup generators at existing data centers in Europe and in America

The Company further discusses increasing the use of free-air cooling systems that cool servers with outside air at its data centers, which avoids the need for energy-intensive compressor-based cooling systems throughout much of the year (p.19). The Company also addresses its water and energy efficiency practices and discusses its commitment to being water positive by 2030, including in relation to data centers (pp.40-43).

It also details its use of lower-carbon materials, stating that it is working to reduce embodied carbon in its infrastructure by increasing the use of lower-carbon materials in Company buildings, such as lower-carbon steel, lower-carbon concrete, and mass timber, a lower-carbon structural wood product that can replace concrete and steel in building construction. It adds that in 2023, AWS built 36 data centers with lower-carbon concrete, up from 16 in 2022, and AWS also tested a low-carbon, performance-based hydraulic cement, which achieved a 64% reduction in embodied carbon compared to the industry average. It also states that in January 2024, AWS updated its design standards to require the use of concrete with 35% less embodied carbon than the industry average in new data centers around the world. The Company further explains that by incorporating higher-strength steel into its data center structural designs, AWS has reduced steel content by 70 tons for each two-story data center and 137 tons for each three-story data center, decreasing emissions by 63 and 124 metric tons of CO_2e, respectively. It notes that in 2023, AWS built 31 data centers with lower-carbon steel, up from 10 in 2022 (p.19).

Regarding the oversight afforded to this issue, the nominating and corporate governance committee oversees and monitors the Company's environmental and sustainability policies and initiatives, including the Company's progress on The Climate Pledge, and risks related to the Company's operations, supply chain, and customer engagement.

To compare, **Meta Platforms, Inc.** (NASDAQ: META) maintains a webpage dedicated to its data centers, and states that its data centers' electricity use is matched with 100% renewable energy and Meta focuses on water conservation and restoration. It also provides a data center impact map, and affirms that it is committed to making a positive impact in the places where it operates. Meta further discusses its data centers in its 2024 Sustainability Report, stating that it designs and operates some of the most sustainable data centers in the industry, but they still account for the highest percentage of the firm's energy and water use. It explains that the firm approaches data center sustainability from the ground up, from design and construction to operations, by prioritizing energy efficiency, renewable energy, water stewardship, and responsible management of the end of life of Meta's equipment. It discloses that, in 2023, 91% of data center construction waste was recycled (p.39). It also emphasizes that in 2023, eight buildings at its data centers earned the LEED Gold Certification, and that to date, it has 42 LEED gold data center buildings, totaling nearly 28 million square feet (p.40).

Additionally, Meta addresses designing data centers with AI in mind, and states that building and delivering world-class AI capabilities is critical to the firm's near-term product and business success and long-term vision for the metaverse. To enable transformative AI experiences such as those based on generative AI, Meta explains that it has invested in creating scalable infrastructure to support its needs today, and for years to come. For example, it has been building and deploying world-class infrastructure since it broke ground with its first data center in 2010, and that its next-generation data center will support Meta's current products while enabling future generations of AI hardware. It adds that its vision blends high-performance and power-efficient computing with a mix of custom hardware solutions specific to the unique needs of the firm's environment. Built with efficiency, flexibility, and sustainability in mind, Meta states that this new data center is an AI-optimized design, featuring denser racks to support large-scale AI clusters, along with future liquid-cooled AI hardware and network infrastructure. It notes that the design requires a smaller footprint to provide similar compute capacity to previous data center designs, improving delivery time and cost efficiency. In addition, its newest AI-optimized data centers currently under construction will feature dry-cooling technology. The firm explains that dry cooling uses air as the cooling medium minimizing water usage, making it the most efficient cooling technology for these geographic locations (p.42).

It also discusses data center circularity, and discloses that it leverages the principles of circularity to limit the use of new materials in product development and construction, help us minimize and prevent waste and avoid upstream emissions. To enable greater circularity within its supply chain, Meta focuses on eliminating the use of hazardous substances and prioritizing the responsible reuse and recycling of electronic equipment. It also prioritizes the use of post-consumer recycled plastics and recycled metal in its hardware to enable a more circular supply chain, and thus, reduce the embedded carbon in its hardware. Meta emphasizes that avoiding emissions in its upstream supply chain means using less, where possible, and to achieve this, it is investing in systems that will extend the life of its hardware and reuse as many components as possible in its data center hardware (p.43).

Finally, Meta discusses its Data Center Community Action Grants, which is one of the ways the firm gives back to communities where it has an operational data center. Since 2011, Meta has provided more than $40 million in direct funding to schools and nonprofits in communities where it has a data center (p.44). It also discusses supporting climate resilience and being water positive in 2030 (pp.46-48).

Regarding board oversight of this issue, the audit and risk oversight committee assists the board in overseeing risks related to ESG. Specifically, the committee reviews with management, at least annually, the major ESG risk exposures and the steps management has taken to monitor or mitigate such exposures, in coordination with the other committees of the board as appropriate. In addition, the audit and risk committee periodically reviews with management the status of Meta's ESG program and strategy.

To further compare, **Alphabet Inc.** (NASDAQ: GOOGL) maintains a webpage dedicated to its data centers, which are in 11 countries and 29 locations worldwide. It explains that a Google-owned and -operated data center is, on average, approximately 1.8 times as energy efficient as a typical enterprise data center. It adds that, in 2023, the average annual power usage effectiveness for its data centers was 1.10 compared with the industry average of 1.58, meaning that its data centers used about 5.8 times less overhead energy for every unit of IT equipment energy. It notes that last year, the firm introduced a water risk framework to further identify climate-conscious cooling solutions that consider carbon-free energy availability, watershed health, and future water needs. It also affirms that it sees its growing infrastructure as an opportunity to drive the innovations and investments needed to power a low-carbon economy (p.3).

Alphabet maintains a goal to operate carbon-free energy, 24 hours a day, 7 days a week, 365 days a year, by 2030. However, it acknowledges that, in 2023, its total GHG emissions increased 13% year-over-year, primarily driven by increased data center energy consumption and supply chain emissions (p.4). It further discusses its progress summary, stating that it maintained a global average of approximately 64% carbon-free energy across its data centers and offices from 2022 to 2023, despite growth in electricity demand over this period. Nevertheless, it discloses that its total GHG emissions were 14.3 million tCO_2 e, representing a 13% year-over-year increase and a 48% increase compared to its 2019 target base year, primarily due to increases in data center energy consumption and supply chain emissions (p.7).

The firm also discusses responsibly managing the resource consumption of AI, stating that while AI offers new solutions for climate action, it also has its own environmental impact. It then discusses Google's impact, and discloses that based on the most recent estimates as of 2022, global data center electricity consumption is 240-340 TWh, or around 1%-1.3% of global electricity demand. Using these estimates as a proxy for 2023, Google’s data center consumption of more than 24 TWh in 2023 translates to approximately 7%-10% of global data center electricity consumption and approximately 0.1% of global electricity demand. It then states that while data centers consume electricity and contribute to emissions, cloud and hyperscale data centers collectively represent only an estimated 0.1%-0.2% of global GHG emissions, based on the most recent global estimates as of 2022. It affirms that, in 2023, its total data center electricity consumption grew 17%, despite maintaining a 100% global renewable energy match. It adds that as Google’s infrastructure continues to power the digital transition, it expects this trend to continue in the future, but the firm sees its growing infrastructure as an opportunity to drive the innovations and investments needed to power a low-carbon economy (p.12).

Additionally, it states that overall, total GHG emissions increased by 13%, highlighting the challenge of reducing emissions while compute intensity increases and the firm grows its technical infrastructure investment to support the AI transition. It further states:

> *Predicting the future environmental impact of AI is complex and evolving, and our historical trends likely don’t fully capture AI’s future trajectory. As we deeply integrate AI across our product portfolio, the distinction between AI and other workloads will not be meaningful. So, we’re focusing on data center-wide metrics since they include the overall resource consumption (and hence, the environmental impact) of AI.*
>
> *AI is at an inflection point and many factors will influence its ultimate impact—including the extent of AI adoption, our ability to mitigate its footprint, and the pace of continued innovation and efficiency. Additionally, system-level changes are needed to address challenges such as grid decarbonization, evolving regulations, hard-to-decarbonize industries, and the availability of carbon-free energy. While we remain optimistic about AI’s potential to drive positive change, we’re also clear-eyed about its potential environmental impact and the collaborative effort required to navigate this evolving landscape.*

It also affirms that it is committed to responsibly managing the environmental impact of AI by deploying three major strategies: model optimization, efficient infrastructure, and emissions reductions (p.12).

Finally, regarding the oversight afforded to this issue, Alphabet states that the oversight of environmental sustainability primarily resides with the audit and compliance committee of Alphabet's board, which reviews and discusses with management the firm's risk exposures, including those related to environmental sustainability, which can include climate-related issues, and the steps that the firm takes to detect, monitor, and actively manage such exposures. The Chief Sustainability Officer keeps the audit and compliance committee apprised of climate-related issues, and raises these issues on an as-needed basis. Climate-related issues may also be added to the agenda for meetings of the full board on an as-needed basis (pp.24-25).

Summary

GRI/SASB-Indicated Sustainability Disclosure	SASB (pp.3-19)
Peer Comparison	Overall, we find the Company and its peers have provided relatively commensurate disclosure concerning their efforts to reduce the carbon footprint of AI as well as how they are managing the environmental impact of AI.
Analyst Note	The Company provides robust climate disclosures and maintains explicit board-level oversight of climate. It also maintains a number of initiatives to reduce carbon emissions and minimize waste in its data centers.

RECOMMENDATION

Glass Lewis believes that investors should take a look at proposals such as this on a case-by-case basis in order to determine if the requested report will clearly serve their interests. In this case, the proponent requests that the Company provide a report explaining how it will meet the climate change-related commitments it has made on greenhouse gas emissions, given the massively growing energy demand from artificial intelligence and data centers that the Company is planning to build. We understand how the use of this rapidly developing and highly emitting technology could present challenges to the execution of the Company's climate plans, particularly given that many of them were developed prior to the full integration of AI in many aspects of its operations.

For example, the proponent appears to take issue with the Company's use of renewable energy credits in order to offset some of its emissions. However, in situations such as this, we believe that companies should be afforded some latitude in how they deliver on their broader climate plans. There will likely be more advancements in AI and in energy technology in the coming years. We, therefore, believe that the Company will need to remain flexible with respect to some aspects of its plans in order to stay responsive to changing market conditions and technological developments.

We understand that, alongside the Company being responsive to these developments, shareholders also require sufficient information to allow them to assess how the Company is managing and mitigating climate-related risks, including those related to its use of AI. However, we believe that the Company has demonstrated responsiveness to these issues and that it has provided robust disclosures concerning how it currently intends to execute on its climate commitments. As this issue continues to develop and as the Company further integrates new technologies into its operations, we expect the Company to further develop both its climate plans and its disclosures of those plans. At this time, however, we believe that the Company's existing disclosures adequately address the issues raised by the proponent and provide a sufficient basis for shareholders to understand how the Company is managing these issues and how it is integrating its use of AI in its climate commitments. As such, we are unconvinced that this additional, incremental disclosure requested by this proposal would meaningfully benefit shareholders at this time.

We recommend that shareholders vote **AGAINST** this proposal.

8.00: SHAREHOLDER PROPOSAL REGARDING THIRD-PARTY ASSESSMENT OF BOARD OVERSIGHT OF AI

AGAINST

PROPOSAL REQUEST:	That the Company commission an independent, third-party assessment of board oversight of human rights risks associated with AI	**SHAREHOLDER PROPONENT:**	AFL-CIO Equity Index Funds, represented by Segal Marco Advisors
BINDING/ADVISORY:	Precatory		
PRIOR YEAR VOTE RESULT (FOR):	N/A	**REQUIRED TO APPROVE:**	Majority of votes cast

RECOMMENDATIONS, CONCERNS & SUMMARY OF REASONING:
AGAINST - Not in the best interests of shareholders

SASB MATERIALITY

PRIMARY SASB INDUSTRY: E-Commerce

FINANCIALLY MATERIAL TOPICS:

- *Hardware Infrastructure Energy & Water Management*
- *Employee Recruitment, Inclusion & Performance*
- *Data Privacy & Advertising Standards*
- *Data Security*
- *Product Packaging & Distribution*

At the Company's 2024 annual meeting, a proposal requesting that the Company charter a new committee of independent directors on AI to address human rights risks associated with the development and deployment of AI systems received 9.7% shareholder support, excluding abstentions and broker non-votes.

GLASS LEWIS REASONING

- We do not believe that the proponent has provided a compelling rationale for how the board has failed in its oversight responsibilities or that the Company has, more broadly, failed to consider the ethical implications of its use of AI to the extent that warrants expending the resources required to undertake the requested assessment.

PROPOSAL SUMMARY

Text of Resolution: *RESOLVED: Stockholders urge the Board of Directors of Amazon.com, Inc. (the "Company") to commission an independent, third-party assessment of the Board of Directors and its Board committee structure in providing oversight of human rights risks associated with Artificial Intelligence ("AI"). The assessment, prepared at reasonable cost and omitting legally privileged, confidential, or proprietary information, should be publicly disclosed on the Company's website.*

Proponent's Perspective

- The development and deployment of artificial intelligence ("AI") technology has resulted in a range of human rights risks to employees, customers, communities, and the public at large;
- In light of the Company's leading role in the development and deployment of AI, the Company needs to ensure that its AI systems do not cause or contribute to violations of internationally recognized human rights;
- According to the United Nations' High Commissioner for Human Rights, AI has the potential to strengthen authoritarian governance because (i) it can operate lethal autonomous weapons, and (ii) can form the basis for more powerful tools of societal control, surveillance, and censorship;
- AI systems that are used in the criminal justice system to predict future criminal behavior have already been shown to reinforce discrimination and to undermine rights, including the presumption of innocence;
- The use of AI to make human resource decisions may lead to unlawful employment discrimination;
- In 2018, the Company reportedly scrapped an experimental AI hiring tool that had taught itself that male candidates were preferable to female candidates;
- Military and police applications of AI technology can raise human rights concerns;
- In 2021, the Company reportedly took over a Department of

Board's Perspective

- The Company is committed to, and is a leader in, the responsible development and use of artificial intelligence and machine learning, including technologies like foundation models and generative artificial intelligence (collectively, "AI");
- The Company's commitment to responsible AI has eight core dimensions that include privacy and security, safety, fairness, and transparency;
- Collaboration among companies, governments, researchers, and the AI community is critical to fostering the development of AI that is safe, responsible, and trustworthy, and to that end, the Company closely collaborated with efforts such as the G7 AI Hiroshima Process Code of Conduct and the AI Safety Summits in the UK and Seoul, and in May 2024, it joined the Frontier Model Forum to help advance AI safety;
- Shareholders have already spoken on this topic as the focus of this proposal, board oversight of AI-associated risks, is substantially the same as the proposal submitted last year by this proponent, which received less than 10% support; and
- The board has the proper composition to effectively oversee human rights risks associated with AI and, together with the board committees, already provides active, informed, and appropriate oversight of human rights and other risks associated with AI.

Defense contract for an AI system to analyze military drone footage after Google dropped the project due to protests by Google employees; and

- While the proponents appreciate the steps that the Company has taken to establish ethical guidelines for the responsible use of AI, an independent, third-party assessment of the board's oversight of human rights risks associated with AI will provide shareholders with transparency regarding the Company's corporate governance procedures related to AI and may provide additional recommendations to strengthen the Company's responsible AI policies.

THE PROPONENT

AFL-CIO Equity Index Funds

The American Federation of Labor and Congress of Industrial Organizations ("AFL-CIO") is a federation of 60 national and international labor unions that represents 12.5 million working people. The AFL-CIO states that its "work is anchored in making sure everyone who works for a living has family-supporting wages and benefits and the ability to retire with dignity" and that it advocates for legislation "to create good jobs by investing tax dollars in schools, roads, bridges, ports and airports, and improving the lives of workers through education, job training and a livable minimum wage." It also advocates for strengthening Social Security and private pensions, ensuring fair tax policies, and making high-quality, affordable health care available to all. It further states that it fights "for keeping good jobs at home by reforming trade rules, reindustrializing the U.S. economy and providing worker protections in the global economy" and that it "stand[s] firm in holding corporations accountable for their actions." Finally, it states that it helps "make safe, equitable workplaces and give[s] working people a collective voice to address workplace injustices without the fear of retaliation" and that it fights "for social and economic justice and strive to vanquish oppression in all its forms."

The AFL-CIO also addresses capital stewardship, stating that it is "committed to organizing [its] funds to be active, responsible stewards of workers' capital." It notes that its "workers' capital is invested primarily to secure health and retirement benefits, pension and employee benefit plans are long-term investors." and that it "recognizes that the long-term, sustainable performance of any investment requires mutually beneficial cooperation among all those involved in a business." Accordingly, its pension and employee benefit plan investments are widely diversified, and that "[f]or this reason, promoting sound corporate governance and responsible business practices is important at all companies."

Based on the disclosure provided by companies concerning the identity of their proponents, in the first half of 2024, the AFL-CIO reserve fund submitted 12 shareholder proposals, which received 30.2% average support (excluding abstentions and broker non-votes).

GLASS LEWIS ANALYSIS

Glass Lewis recommends that shareholders take a close look at proposals such as this to determine whether the actions requested of the Company will clearly lead to the enhancement or protection of shareholder value. Glass Lewis believes that directors who are conscientiously exercising their fiduciary duties will typically have more and better information about the Company and its situation than shareholders. Those directors are also charged with making business decisions and overseeing management. Our default view, therefore, is that the board and management, absent a suspicion of illegal or unethical conduct, will make decisions that are in the best interests of shareholders.

In this case, the Company's operations are organized into three segments: North America, International, and Amazon Web Services ("AWS"), and customers access its offerings through its websites, mobile apps, Alexa, devices, streaming, and physically visiting its stores. It also manufactures and sells electronic devices (2024 10-K, p.3). As discussed in Proposal 7, in recent years, the Company has increasingly been incorporating AI technologies in its operations. As discussed below, AI both presents significant opportunities and can result in exposure to significant risks, including those related to human rights. Given these risks and opportunities, we believe that companies, such as the Company, that heavily employ the use of AI should maintain adequate oversight of this issue. In this case, the Company currently maintains board-level oversight of AI. This proposal, however, is requesting that the Company commission an independent, third-party assessment of the board and committee structure in providing oversight of the human rights risks associated with AI.

BACKGROUND

Artificial Intelligence ("AI") is a term coined in 1955 by Stanford University's first faculty member in AI, John McCarthy. Professor McCarthy defined the term as "the science and engineering of making intelligent machines." In more recent years, the U.S. federal government has defined AI as a "machine-based system that can, for a given set of human-defined objectives, make predictions, recommendations or decisions influencing real or virtual environments." It further specifies that AI systems use machine and human-based inputs to: (i) perceive real and virtual environments; (ii) abstract such perception into models through analysis in an automated manner; and (iii) use model inference to formulate options for information or action.

As the science and technology underpinning AI have rapidly developed, so have the potential uses for AI. Given that AI can automate repetitive tasks, improve decision-making processes and enhance the accuracy and speed of data analysis, AI has the ability to influence -- if not completely transform -- various industries (Jennifer Monahan. " Artificial Intelligence, Explained." Carnegie Mellon University). In fact, aspects of AI technology have already become commonplace for many businesses and individuals. For example, McKinsey cites voice assistants like Apple's Siri or the Company's Alexa, as well as customer service chatbots that appear when a person navigates a website as examples of this technology. Other examples include more complex chatbots such as OpenAI's AI models, which are based on its generative pre-trained transformer ("GPT") technology, which is a type of machine learning model that is pre-trained on a massive amount of data to generate human-like text. GPTs can be further fine-tuned for a range of tasks, such as answering questions, translating language, and summarizing text. (Fawad Ali. " GPT-1 to GPT-4: Each of OpenAi's GPT Models Explained and Compared." *Make Use Of.* April 11, 2023).

Given the wide range of potential tasks that can be undertaken by AI and the potential benefits for companies that employ AI, many companies have quickly begun to embrace the use of this technology. This embrace is perhaps best exemplified by the significant and growing investments in the development and use of AI technology; worldwide spending on AI solutions is expected to grow to more than $500 billion in 2027, according to International Data Corporation. As a result, most companies would be experiencing a significant shift in the amount of investment in AI implementation and the adoption of AI-enhanced products and services (Michael Shirer. " IDC FutureScape: Artificial Intelligence Will Reshape the IT Industry and the Way Businesses Operate." IDC. October 26, 2023). Additionally, breakthroughs in generative AI could result in a 7% or almost $7 trillion increase in global GDP and improve productivity growth by 1.5% over a ten-year period ("Generative AI Could Raise Global GDP by 7%." Goldman Sachs. April 5, 2023).

ETHICAL CONCERNS REGARDING THE USE OF AI

While there are seemingly innumerable benefits and uses of AI technology, many have also raised concerns regarding the potential ethical implications of the use of AI. Below is an inexhaustive discussion of several issues facing companies that are employing the use of AI technology.

Discrimination and Bias

AI technology is arguably only as good as the inputs it receives. While some look to AI technology to act as a neutral arbiter, it can untimely result in discriminatory or biased outcomes if the data or programming underlying that technology also contains some level of bias. For example, a 2023 study in *Humanities and Social Sciences Communications* examined the use of AI during the employee recruitment process and found that AI-enabled recruitment has the potential to enhance recruitment quality, increase efficiency, and reduce transactional work. However, it also found that algorithmic bias can lead to discriminatory hiring practices based on gender, race, color, and personality traits.

The ACLU has also cited potential concern with such bias being incorporated in areas such as tenant selection, mortgage qualification, and financial lending. More specifically, when AI systems are used for loan approval decisions, there is a risk of replicating existing biases present in historical data used to train the algorithms, which can result in automatic loan denials for individuals from marginalized communities, reinforcing racial or gender disparities (Ryan Browne, MacKenzie Sigalos. " A.I. Has a Discrimination Problem. In Banking, The Consequences Can Be Severe." *CNBC*. June 23, 2023).

Other discriminatory issues have arisen in relation to speech recognition technologies' abilities to recognize or properly understand Black speakers, people who do not speak English as a first language, or people with disabilities, who may greatly rely on voice-activated technologies. At least one study has also reported that some AI tools meant to detect the use of ChatGPT in writing samples have at times falsely and unfairly flagged samples from non-native English speakers as being AI-generated texts (A.W. Ohlheiser. "AI Automated Discrimination. Here's How to Spot It." *Vox*. June 14, 2023).

While users of AI technology should ensure that it is free from bias, technology companies that develop these technologies could be exposed to additional risk should these technologies result in biased or discriminatory outcomes. For example, in a lawsuit filed in June 2020, four African American plaintiffs alleged that YouTube engaged in "overt, intentional, and systematic racial discrimination" against its users. The lawsuit accused YouTube of profiting off of hate speech, while at the same time excluding legitimate channels and videos from full revenue generation based solely on the inclusion of terms like "BLM" or "Police Brutality" in titles and tags. The plaintiffs claimed that the firm used artificial intelligence, algorithms, and other sophisticated filtering tools to profile and target users for censorship based "wholly or in part" on race. Further, in addition to damages and restitution, the plaintiffs asked for a declaration that Section 230 of the Communications Decency Act couldn't be used to immunize entities from discrimination claims (Holly Barker. " YouTube Sued for Race Discrimination, Profiting from Hate Speech." *Bloomberg Law*. June 17, 2020).

Workers Being Replaced by AI

According to estimates from Goldman Sachs, approximately two-thirds of U.S. occupations are exposed to some degree of AI automation. Further, for individuals in occupations that are exposed to AI automation, between 25% to 50% of their workload could be replaced. Goldman Sachs also states that, although the impact of AI on the labor market is likely to be significant, most jobs and industries are only partially exposed to automation, and are, therefore, more likely to be complemented rather than substituted by AI. Nevertheless, the firm estimated that AI systems could expose an equivalent of 300 million full-time jobs to automation.

Further, the Pew Research Center has found that certain groups of workers have higher levels of exposure to being replaced or assisted by AI, such as: (i) those with more education, (ii) women, (iii) Asian and white workers, and (iv) higher-wage workers. Despite the exposure to AI, a recent survey found that many U.S. workers in more exposed industries do not feel their jobs are at risk, and contend that AI will help more than hurt them personally. However, as of December 2023, 44% of surveyed business leaders report that there will be layoffs in 2024 resulting from AI efficiency, and employees state that 29% of their work tasks are replaceable by AI (Rachel Curry. "Recent Data Shows AI Job Losses Are Rising, But the Numbers Don't Tell the Full Story." *CNBC*. December 16, 2023).

GPT Hallucinations and Defamation

There is also a possibility for AI outputs to result in harm to individuals or potential defamation claims. For example, Mark Walters, a radio host from Georgia, sued OpenAI in June 2023, claiming that its chatbot generated a legal complaint accusing him of embezzling money from a gun rights group, allegations Walters said he had never faced. The complaint was generated in response to a journalist's research on a real court case but provided information that was entirely fake. Nevertheless, legal experts anticipated a defense could draw on CDA 230 (Isaiah Poritz. "First ChatGPT Defamation Lawsuit to Test AI's Legal Liability." *Bloomberg Law*. June 12, 2023). The journalist whose queries generated the false information in a ChatGPT hallucination never actually published the misinformation, nor did Walters notify OpenAi that ChatGPT was making false statements about him, two factors which complicate the suit's chances of success (Debra Cassens Weiss. "Radio Host Faces Hurdles in ChatGPT Defamation Suit." *ABA Journal*. June 12, 2023). The journalist whose queries generated the false information in a ChatGPT hallucination never actually published the misinformation, nor did Walters notify OpenAi that ChatGPT was making false statements about him, two factors which complicate the suit's chances of success (Debra Cassens Weiss. "Radio Host Faces Hurdles in ChatGPT Defamation Suit." *ABA Journal*. June 12, 2023). In January 2024, a judge in Gwinett County Superior Court in Georgia denied OpenAI's request to dismiss the suit, though no explanation was provided (Isaiah Poritz. "OpenAI Fails to Escape First Defamation Suit from Radio Host." *Bloomberg Law*. January 16, 2024).

Creative Content and Copyright Infringement

Artists and writers have also been impacted by developments in AI and have increasingly been demanding a say on how AI companies use their work by filing lawsuits and publicly challenging how the technology scrapes the internet and incorporates their art without their consent. Some companies have responded to this pushback by providing "opt-out" programs that give artists a choice to remove their work from future models. For example, OpenAI debuted an opt-out feature with its latest version of the image-to-text generator Dall-E, while Meta Platforms recently began allowing people to submit requests to delete personal data from third parties used to train Meta's generative AI models. In reality, though, there is no way to opt out of Meta's generative AI training. Over a dozen artists stated that Meta provided a letter following their requests, which stated that the firm is "unable to process the request" until the requester submits evidence that their personal information appears in responses from Meta's generative AI (Kate Knibbs. " Artists Allege Meta's AI Data Deletion Request Process Is a 'Fake PR Stunt'." *Wired*. October 26, 2023).

The use of AI was also a prominent feature of the recent Writers Guild of America ("WGA") strike. Specifically, the striking workers requested new worker protections for the use of AI by entertainment companies. As part of its negotiations, the WGA reached a tentative agreement with the Alliance of Motion Picture and Television Producers on September 25, 2023, to regulate the use of AI on projects. The agreement required studios and production companies to disclose to writers if any material given to them has been generated by AI partially or in full. In addition, AI cannot be a credited writer or write or rewrite "literary material", and AI-generated writing cannot be used as source material. Several experts believe that the screenwriters' deal could be a prelude to additional labor battles in the future (Jake Coyle. "In Hollywood Writers' Battle Against AI, Humans Win (For Now)." *AP News*. September 27, 2023).

The actors' strike, also occurring during the WGA strike, was fueled by, among other things, concerns regarding the use of AI. After a 118-day strike, which ended in November 2023, the Screen Actors Guild-American Federation of Television and Radio Artists ("SAG-AFTRA") agreed to a three-year contract that was valued at over $1 billion, and that included increases in pay for members, higher residual payments for shows streamed online, and more contributions to the union's health and pension plans. However, it also notably established new rules for the use of AI, with SAG-AFTRA, stating that the deal resulted in "unprecedented provisions for consent and compensation that will protect members from the threat of AI" (Meg James, Wendy Lee, Christi Carras. " SAG-AFTRA Committee Approves Deal With Studios to End Historic Strike." *Los Angeles Times*. November 8, 2023).

Meanwhile, Apple faced controversy as a result of creative content being used in generative AI systems. Specifically, in late 2023, the firm opened negotiations with major news and publishing organizations, seeking permission to use their material in Apple's development of generative AI systems. The news organizations contacted by Apple include Conde Nast, NBC News, and IAC, which owns *People* and *Better Homes and Gardens,* as part of efforts to secure multiyear deals worth at least $50 million. However, a number of publishing executives were concerned that Apple's terms were too expansive and that the firm was vague about how it intended to apply generative AI to the news industry, posing a potential competitive risk given Apple's significant audience for news on its devices (Benjamin Mullin, Tripp Mickle. "Apple Explores A.I. Deals With News Publishers." *The New York Times*. December 22, 2023).

In the literary arena, multiple authors have filed at least three lawsuits against OpenAI for using their copyrighted work to train the ChatGPT chatbot, including a lawsuit that lists the Authors Guild and famous writers such as Johnathan Franzen, John Grisham, George RR Martin, and Jodi Picoult, among others, as plaintiffs (Blake Montgomery. "OpenAI Offers to Pay for ChatGPT Customers' Copyright Lawsuits." *The Guardian*. November 6, 2023). The main argument of the suit is that "the ingestion of works of authorship as training data is itself a reproduction of the works." Moreover, the case argues that when OpenAI scans and uses writers' content without copyright permission, it helps foster work that publishers would otherwise have to pay authors to create. What makes the suit so complicated is the difficulty in determining what the exact data sets used by OpenAI to train its chatbots and how they work (Max Zahn. "Authors' Lawsuit Against OpenAi Could 'Fundamentally Reshape' Artificial Intelligence, According to Experts." *ABC News*. September 25, 2023).

Some legal experts speculated that this suit could fundamentally impact the direction and capabilities of generative AI, though it has yet to be determined whether the outcome will create new limitations on the core processes of the technology or whether it will enable the current, expansive approach to online material to continue. OpenAI and other companies facing litigation for their generative AI, such as Meta, are expected to rely on more open-ended concepts of "fair use" in their defense. In fact, in response to a similar suit brought by comedian Sarah Silverman, lawyers for Meta stated in their defense filing that "copyright law does not protect facts or the syntactical, structural, and linguistic information that may have been extracted from books like the Plaintiffs' during training." Further, they added that the "use of texts to train" chatbots to "statistically model language and generate original expression is transformative by nature and quintessential fair use." Attorneys for OpenAI stated in their filings that the plaintiffs' copyright claims "misconceive the scope of copyright, failing to take into account the limitations and exceptions (including fair use) that properly leave room for innovations like the large language models now at the forefront of artificial intelligence" (Max Zahn. "Authors' Lawsuit Against OpenAi Could 'Fundamentally Reshape' Artificial Intelligence, According to Experts." *ABC News*. September 25, 2023).

In February 2024, a California court ruled to dismiss five of the six claims made in the suit brought by Silverman and authors Christopher Golden, Richard Kadrey, Paul Tremblay, and Mona Awad. The judge did not agree with the plaintiffs' claims that OpenAI had committed unlawful business practices and fraudulent conduct related to unfair competition, though it upheld the unfair competition claim that the firm did not request permission to use their work for commercial profit. Additionally, the judge stated that the authors' claim regarding "risk of future damage to intellectual property" was too speculative to consider. OpenAI had asked the court to dismiss all counts but the first and main complaint: direct copyright infringement. The firm was also facing several copyright infringement lawsuits from other authors, including a proposed class action lawsuit (Emilia David. "Sarah Silverman's Lawsuit Against OpenAI Partially Dismissed." *The Verge*. February 13, 2024).

The New York Times also sued OpenAI and Microsoft in late December 2023 for copyright infringement. While the lawsuit does not include an exact monetary request, it claims the defendants should be held responsible for “billions of dollars in statutory and actual damages” related to the “unlawful copying and use of The Times’s uniquely valuable works.” It also asks that both companies destroy any chatbot models and training data that use copyrighted material from *The New York Times* (Michael M. Grynbaum, Ryan Mac. "The Times Sues OpenAI and Microsoft Over A.I. Use of Copyrighted Work." *The New York Times*. December 27, 2023). Two months after the lawsuit was filed, OpenAI requested that some parts of the suit be dismissed, claiming that *The New York Times* had "hacked" its chatbot and other AI systems to generate misleading evidence for the case. The firm argued that the paper used "deceptive prompts" that violated OpenAI's terms of use and that it had paid someone to hack OpenAI's products. However, OpenAI did not name the hacker or identify any anti-hacking laws that the paper allegedly broke. A lawyer for the *The New York Times* responded that the paper had not hacked anything but had simply looked for evidence that the chatbot had stolen and reproduced the paper's copyrighted content (Blake Brittain. "OpenAI Says New York Times 'Hacked' ChatGPT to Build Copyright Lawsuit." *Reuters*. February 27, 2024).

Further, a group of eight additional U.S. newspapers (*New York Daily News*, *Chicago Tribune*, *Denver Post*, *Mercury News*, *Orange Country Register*, *St. Paul Pioneer-Press*, *Orlando Sentinel* and *South Florida Sun Sentinel)* filed a lawsuit against Microsoft and OpenAI, also claiming that the companies stole millions of copyrighted news articles to train their chatbots, without permission or payment. OpenAI stated that it was unaware of the papers' owner Alden Global Capital's concerns, but added that it was "actively engaged in constructive partnerships and conversations with many news organizations around the world to explore opportunities, discuss any concerns, and provide solutions." Although tech companies have argued that the "fair use" doctrine enables them to use publicly accessible internet content to train their chatbots, some companies have established deals to pay for content to avoid potential legal challenges. For example, OpenAI entered into a partnership with the *Associated Press* ("AP") in 2023 to pay an undisclosed amount to license the AP's archive of news stories. OpenAI also made licensing deals with publishing firms *Axel Springer* in Germany, *Prisa Media* in Spain, *Le Monde* in France, and the *Financial Times* in the UK. ("Eight US Newspapers Sue ChatGPT-Maker OpenAI and Microsoft for Copyright Infringement." *AP News*. April 30, 2024).

Misinformation and Disinformation Risks from GPT Technology

Despite its capabilities, the responses produced by GPT and other generative AI systems are not entirely reliable. Because AI models, such as GPT, are programmed to guess the next word in a sequence of words based on large volumes of text sourced online, such models are unable to evaluate whether a statement is true, and they are known to respond with false or inaccurate information, a phenomenon referred to as "hallucination" (Karen Weise, Cade Metz. " When A.I. Chatbots Hallucinate." *The New York Times.* May 9, 2023). While OpenAI and other AI developers state they are working to make their models more truthful, some experts remain doubtful that generative AI's tendency to hallucinate information can be completely removed due to the technology's nature. The risk of AI hallucination can be more severe depending on the task an AI model is used. For example, users have employed AI models for high-stakes tasks where accuracy is essential, such as psychotherapy, writing legal briefs, and news-writing, which the director of the University of Washington's Computational Linguistics Laboratory describes as a "mismatch between the technology and the proposed use cases" (Matt O'Brien. " Chatbots Sometimes Make Things Up. Is Ai's Hallucination Problem Fixable?." *Associated Press.* August 1, 2023).

Researchers quickly began examining the potential to spread misinformation using ChatGPT soon after it came on the market, voicing strong concerns, including that chatbots could make disinformation cheaper and easier to produce and spread, and they could also make disinformation more difficult to detect by smoothing out human errors such as poor syntax or mistranslations. For example, a 2019 paper from OpenAI researchers cited concerns that AI "capabilities could lower costs of disinformation campaigns" and aid in the malicious pursuit of "monetary gain, a particular political agenda, and/or a desire to create chaos or confusion." When tested by researchers at the Center on Terrorism, Extremism, and Counterterrorism at the Middlebury Institute of International Studies, GPT-3 presented an "impressively deep knowledge of extremist communities" and could be prompted to generate responses mimicking content from mass shooters, forums discussing Nazism, writings in defense of QAnon, and also multilingual extremist material. Over time, however, ChatGPT showed signs of resisting some researchers' efforts to generate false information, sometimes adding disclaimers to long-debunked arguments. Nevertheless, another research group providing cyber threat intelligence, Check Point Research, stated that cybercriminals were already working with ChatGPT to create malware (Tiffany Hsu, Stuart A. Thompson. " Disinformation Researchers Raise Alarms about A.I. Chatbots." *The New York Times*. February 8, 2023).

Although OpenAI and other companies engaged in AI have developed safeguards to prevent their models from generating hate speech and disinformation, researchers have discovered methods to bypass those preventative measures. Such bypasses add to concerns that generative AI models could be used to generate nearly unlimited amounts of harmful information (Cade Metz. " Researchers Poke Holes in Safety Controls of ChatGPT and Other Chatbots." *The New York Times.* July 27, 2023). Research from Princeton, Virginia Tech, Stanford, and IBM also found that by using a paid service offered by OpenAI to adjust its GPTs for particular tasks, users were able to bypass guardrails and generate material including political messages, hate speech, and language involving child abuse (Cade Metz. " Researchers Say Guardrails Built Around A.I. Systems Are Not So Sturdy." *The New York Times.* October 19, 2023).

A recent study by Stanford RegLab and Institute for Human-Centered AI researchers showed evidence that popular chatbots from OpenAI, Google, and Meta were prone to hallucinations when answering legal questions, which would pose problems for those using the technology if they could not afford human lawyers. The study reported that when answering questions regarding a court's core ruling, the chatbots would hallucinate at least 75% of the time, based on testing with more than 200,000 legal questions posed to general-purpose AI models. However, the models were more accurate when asked questions regarding cases from the U.S. Supreme Court and the U.S. Courts of Appeal for the Second Circuit and the Ninth Circuit, as those cases may have been more frequently cited and discussed and thus appeared more frequently in the models' training data. The study also revealed that the chatbots were likely to believe a users' false premise embedded in their questions, and subsequently provided answers that reinforced the users' mistakes (Isabel Gottlieb, Isaiah Poritz. " Popular AI Chatbots Found to Give Error-Ridden Legal Answers." *Bloomberg Law*. January 12, 2024).

Hallucinations have persisted as a problem for chatbots. In May 2024, Google's chatbot told some users that it was safe to eat rocks, leading the firm to review its AI overviews search feature. In June 2023, two lawyers received fines of $5,000 after one of them admitted that he had used ChatGPT to help write a court filing, but the chatbot added fake citations for cases that never existed. In response to these ongoing issues, a recent study by the scientific journal *Nature* examined a new method for determining when an AI tool is likely to be hallucinating, demonstrating its ability to accurately discern correct and incorrect AI-generated answers approximately 79% of the time. Currently, the method only addresses one of several causes of AI hallucinations and requires nearly ten times the computing power of a standard chatbot conversation, but researchers were hopeful that it could lead to more reliable AI systems in the near future (Billy Perrigo. " Scientists Develop New Algorithm to Spot AI 'Hallucinations'." *Time*. June 19, 2024).

There have also been a number of attempts to curb election-related misinformation and disinformation. For example, 20 tech companies, including the Company, OpenAI, Adobe, Microsoft, Anthropic, Meta, Google, TikTok, and X, signed a voluntary pledge at the Munich Security Conference to prevent deceptive AI content from disrupting voting in 2024. As part of their pledge, the companies agreed to collaborate on AI detection tools but did not ban election-related AI content (Tiffany Hsu, Cade Metz. "In Big Election Year, A.I.'s Architects Move Against Its Misuse." *The New York Times*. February 16, 2024). In addition, Google announced that it would restrict its Gemini AI chatbot from responding to questions about global elections in the U.S., South Africa, and India in 2024 in an attempt to avoid problems regarding and fake news from its generative AI. The chatbot was trained to respond that it was still learning how to answer such a question and that users should try Google Search to find information about elections (Zaheer Kachwala. "Google Restricts AI Chatbot Gemini From Answering Queries on Global Elections." *Reuters*. March 12, 2024).

Concerns Regarding the Spread of Misinformation and Disinformation Online

One of the most common criticisms of social media in recent years has been the dissemination of misinformation and disinformation. This issue first attracted global scrutiny in 2016, as the deliberate dissemination of false information was employed as a tactic to defeat political rivals during the U.S. Presidential election. In 2017, the non-governmental organization Freedom House released a report that found that "online manipulation and disinformation tactics played an important role" in elections in 18 countries, including the U.S., and noted Russia's influence on the U.S. election. According to this report, internet freedom declined for seven consecutive years, largely as a result of disinformation tactics. Specifically, the report stated that "'fake news,' automated 'bot' accounts, and other manipulation methods gained particular attention in the United States," and that, although the online environment in the U.S. "remained generally free, it was troubled by a proliferation of fabricated news articles, divisive partisan vitriol, and aggressive harassment of many journalists, both during and after the presidential election campaign." The report noted that around 30,000 fake accounts were removed from Meta's platform before the 2017 French elections. The report further noted how preventing content manipulation could be difficult given its decentralized nature and the rampant employment of people and bots for such purposes.

Further, in March 2018, *Science* published a study that analyzed every major contested news story in English since the Twitter platform came into existence, comprising 126,000 stories tweeted by 3 million users over more than 10 years. The study found that "[f]alsehood diffused significantly farther, faster, deeper, and more broadly than the truth in all categories of information[.]" However, it was also found that bots amplified true stories as much as false ones, leading the researchers to conclude that people are ultimately still responsible for the propagation of fake news. Ultimately, it demonstrated that social media serves to systematically amplify falsehood over truth (Robinson Meyer. "The Grim Conclusions of the Largest-Ever Study of Fake News." *The Atlantic*. March 8, 2018). One of the study's researchers recognized the challenge that such polarization poses to garnering support from platforms such as that operated by Meta, given that polarization "has turned out to be a great business model" (Steve Lohr. "It's True: False News Spreads Faster and Wider. And Humans Are to Blame." *The New York Times*. March 8, 2018).

With the emergence of AI technology, misinformation can now also be spread through chatbots that can generate false information or even deepfake photographs, videos, and audio recordings. Much of the attention devoted to the harms of deepfake material relates to pornographic material and "sextortion" cases, including materials involving children. Researchers noted in 2019 that 96% of the 14,000 deepfake videos online were pornographic, with other reports indicating that as many as 143,000 videos appearing on 40 of the most popular websites for faked videos had been viewed more than 4.2 billion times. The rapid increase in the creation of deepfakes, and especially those involving minors, has prompted responses from attorneys general in all 50 states, who asked Congress to strengthen their tools for fighting AI child sexual abuse images. Legislators around the country are also beginning to develop legislation to address the harms and repercussions of such AI-generated materials. This legislation has taken a wide range of approaches, including allowing victims to pursue civil lawsuits, criminalizing some conduct, and considering steps such as mandating digital watermarks to help trace images and content back to their producers (Frank Figliuzzi. " A Loophole Makes It Hard to Punish These Despicable AI-Generated Nude Photos." *MSNBC*. November 7, 2023).

The issue of misinformation and disinformation generated by AI has become increasingly salient with respect to election interference. For example, despite calls for caution, a recent report found that OpenAI had not been enforcing its rules regarding political campaigns' use of its AI tools. When OpenAI first launched ChatGPT in November of 2022, it banned political campaigns from using the chatbot as a safeguard against potential election risks. Further, in March 2023, when OpenAI updated the rules on its website, it banned political campaigns specifically from using ChatGPT to generate content targeted to specific demographics, a practice that could spread disinformation at an unprecedented scale. Despite this policy, however, it was reported in August 2023 that OpenAI hadn't enforced its ban for months. Many researchers and politicians have raised alarms about the potential for election interference and the ability for fake photos and videos to mislead voters. In response to the need to block the most worrying ways the chatbot could be used in politics, OpenAI used its ChatGPT to create novel political risks for review, and then it developed a policy that prohibits "scaled uses" for political campaigns or lobbying. In response to this issue, a representative for OpenAI's product policy stated that it was "building out... safety capabilities" and that it was exploring ways to detect generated content related to campaign materials. However, OpenAI admits that the "nuanced" nature of its rules, which it developed to accommodate the benefits and address the risks of political content, can make enforcement of its policies difficult (Cat Zakrzewski. " ChatGPT Breaks Its Own Rules on Political Messages." *The Washington Post*. August 28, 2023).

Concerns about the impact of AI-generated deepfakes on politics have been growing, as more fake videos featuring major political figures have begun to circulate on social media. For example, during the U.S. presidential primary election in June 2023, Ron DeSantis's campaign began using three images of Donald Trump embracing Dr. Anthony Fauci in a campaign video, which the agency Agence France-Presse first reported to be deepfake images. DeSantis did not respond, but Trump posted on social media criticizing the use of the AI images as unacceptable, after which the DeSantis campaign responded that they were obviously fake and intended to be humorous (Nicholas Nehamas. "DeSantis Campaign Uses Apparently Fake Images to Attack Trump on Twitter." *The New York Times*. June 8, 2023).

Many political lawyers have expressed concerns that the lack of federal regulation regarding AI as well as insufficient campaign funds could leave many politicians and political groups unable to defend against targeted fake content. One factor complicating legal strategies to counter deepfakes is that such AI-generated false content is often very difficult to trace. In May 2023, the American Association of Political Consultants, a bipartisan board, unanimously agreed to condemn campaigns' use of generative deepfakes, and they also encouraged the media to refuse to carry or deliver ads using deepfakes,. Additionally, the Federal Election Commission solicited public feedback in August 2023 on possible regulations to address deepfakes in political ads. There have also been a number of other regulatory and legislative responses to this issue. For example, Representative Yvette Clark of New York introduced a bill to require disclosure in AI-generated political ads, and several states have passed AI regulations. Nevertheless, legal experts say that necessary regulation will not likely catch up until a particularly bad deepfake creates a strong reaction, and it won't come before the 2024 election. Additionally, experts expressed concern regarding the impact of AI deepfakes on the ability of people to know the truth and on democracy, and they emphasized that foreign political actors could also utilize deepfakes against the U.S. (Tatyana Monnay. " Deepfake Political Ads Are 'Wild West' for Campaign Lawyers." *Bloomberg Law*. September 5, 2023).

After Google stated that it would impose new labels on deceptive AI-generated political advertisements that could fake a candidate's voice or actions, U.S. regulators called on social media platforms Facebook, Instagram, and X to explain why they have not implemented similar measures. In October 2023, two members of Congress sent a letter to the CEOs of Meta and X expressing “serious concerns” about the emergence of AI-generated political ads on their platforms and asking each to explain any rules they’re creating to curb the harms to free and fair elections. The letter to the executives warns that, particularly in light of the 2024 elections, “a lack of transparency about this type of content in political ads could lead to a dangerous deluge of election-related misinformation and disinformation across your platforms – where voters often turn to learn about candidates and issues” (Matt O'Brien. " Meta and X Questioned By Lawmakers Over Lack of Rules Against AI-generated Political Deepfakes ." *AP News*. October 5, 2023).

These concerns are even more salient given actual instances of the use of AI in electioneering activities. For example, in January 2024, the New Hampshire attorney general's office announced that it would be investigating reports of a robocall using an AI-generated voice to mimic President Joe Biden that discouraged people from voting in the state's primary election. The attorney general stated that the calls appeared to be an attempt to suppress voting, incorrectly telling voters that they needed to save their vote for the November election (Ali Swenson and Will Weissert. "New Hampshire Investigating Fake Biden Robocall Meant to Discourage Voters Ahead of Primary." *AP News*. January 22, 2024).

Researchers and bipartisan election officials also tested the accuracy of information provided by chatbots regarding the upcoming U.S. primary elections at Columbia University in February 2024. Their results showed that both GPT-4 and Google's Gemini tended to provide information that was illogical and included outdated responses, and in some cases, would even send voters to nonexistent polling locations. All five models (OpenAI’s GPT-4, Google's Gemini, Meta’s LlaMA 2, Anthropic’s Claude, and Mixtral from the French company Mistral) tested by the group were unable to provide answers to basic questions about the election process, with participants rating more than half of the chatbots' responses as inaccurate and 40% categorized as harmful, including perpetuating dated and inaccurate information that could limit voting rights. For example, when asked about a majority Black neighborhood in Philadelphia, Gemini responded that there was no voting precinct in the U.S. for that zip code. Overall, Google's Gemini got almost two-thirds of all answers wrong, while LlaMA 2 and Mixtral also had high rates of incorrect information (Garance Burke. " Chatbots' Inaccurate, Misleading Responses About US Elections Threaten to Keep Voters from Polls." *AP News*. February 27, 2024).

In February 2024, FBI Director Christopher Wray warned that the U.S. expected fast-moving threats, and more of them, as AI and other technological advancements had made election interference much easier than before (Eric Tucker. " The US Is Bracing for Complex, Fast-Moving Threats to Elections this Year, FBI Director Warns." *AP News*. February 29, 2024). Europe and Asia had already experienced a wave of AI deepfakes for months, with examples of AI deepfakes seen in: (i) a video of Moldova's pro-Western president supporting a Russia-friendly political party; (ii) audio clips of the liberal party leader in Slovakia talking about rigging votes; and (iii) a video of an opposition lawmaker in Bangladesh wearing a bikini in the Muslim majority nation (Ali Swenson, Kelvin Chan. "Election Disinformation Takes a Big Leap with AI Being Used to Deceive Worldwide." *AP News*. March 14, 2024).

Meanwhile, a study in Europe found that popular AI chatbots weren't providing users with accurate information about upcoming elections. The chatbots, including Microsoft's Copilot, OpenAI's ChatGPT 3.5 and 4.0, as well as Google's Gemini, were tested by the Berlin-based nonprofit Democracy Reporting International on 400 election-related questions posed in ten different languages and relating to the election process in 10 EU countries, with questions written in simple language fit for the average user of these AI chatbots. The results showed that none of the four chatbots were able to "provide reliably trustworthy answers." Further, when asked about a topic without a lot of information, the chatbots tended to invent information to supply answers. Google's Gemini was found to provide the most misleading or false information, and it had the highest number of refusals to answer questions (Anna Desmarais. "Chatbots Providing 'Unintentional' Misinformation Ahead of EU Elections." *EuroNews*. April 22, 2024).

Further, a study by data analytics startup GroundTruthAI reported that, based on 2,784 responses, large language models, including ChatGPT and Alphabet's Gemini gave inaccurate information 27% of the time when asked about the 2024 election and voting. According to the study, the five models it examined answered correctly 73% of the time, but OpenAI's latest version, GPT-4o, answered correctly 81% of the time, while Google's Gemini 1.0 Pro answered correctly just 57% of the time. GroundTruthAI's CEO stated that the study should serve as a warning to companies incorporating AI into their search functions. The same mistrust of chatbots as a source of election information could also be seen in a recent survey from Pew Research Center, which found that although more Americans were using ChatGPT, approximately 40% of adults surveyed stated they don't trust the information that comes from the chatbot regarding the 2024 presidential election (Aaron Franco, Morgan Radford. "AI Chatbots Got Questions About the 2024 Election Wrong 27% of the Time, Study Finds." *NBC News*. June 7, 2024).

The news monitoring service NewsGuard reported in June 2024 that generative AI models, including ChatGPT, Copilot, Meta AI, Google Gemini, You.com's Smart Assistant, Grok, Inflection, Mistral, Anthropic's Claude, and Perplexity, were spreading Russian disinformation. Specifically, NewsGuard's study found that when prompted, the ten chatbots spread Russian disinformation narratives 32% of the time. The study employed 57 prompts based on 19 significant false narratives that the news monitoring service had linked to the Russian disinformation network, including claims about Ukraine President Volodymyr Zelenskyy's corruption. NewsGuard submitted its study to the U.S. AI Safety Institute of the National Institute of Standards and Technology and the European Commission. At the same time, however, the U.S. House Committee on Oversight and Accountability launched an investigation into NewsGuard over its "potential to serve as a non-transparent agent of censorship campaigns," an accusation which NewsGuard rejected (Pascale Davies. "ChatGPT, Grok, Gemini and other AI Chatbots Are Spewing Russian Misinformation, Study Finds." *Euro News*. June 18, 2024).

Copilot and ChatGPT also received criticism in late June 2024 when, hours before the first presidential debate, they repeated misinformation that *CNN's* broadcast of the debate would occur with a "1-2 minute delay." When prompted by *NBC News*, the chatbots neglected to include *CNN's* denial of the false claim, with Copilot instead citing the website of former *Fox News* host Lou Dobbs, which had cited a conservative writer's post about an alleged 1-2 minute delay. ChatGPT cited Katie Couric Media and UPI even though neither of their original articles mentioned that there would be a delay during *CNN's* broadcast of the debate. Meanwhile, *NBC* reported that Meta AI and X's Grok answered the questions correctly, but Google's Gemini declined to answer the questions about whether there would be a delay, which it deemed too political (Ben Goggin. "OpenAI's ChatGPT and Microsoft's Copilot Repeated a False Claim About the Presidential Debate." *NBC News*. June 28, 2024).

In late October 2024, the FBI announced that a video appearing to show someone destroying mail-in ballots for Donald Trump in Pennsylvania had been created and amplified by Russian actors. U.S. officials from the FBI, the Office of the Director of National Intelligence, and the Cybersecurity and Infrastructure Security Agency stated that the fake video was part of "Moscow's broader effort to raise unfounded questions about the integrity of the U.S. election and stoke divisions among Americans." A day prior to the announcement from federal officials, the Bucks County Board of Elections in Pennsylvania identified the video as fake, stating that the materials in the video were clearly not authentic materials distributed by the board. The video appeared to show a Black person with a foreign accent tearing up ballots marked for Trump, which some experts believed was an intentional choice to amplify racism with disinformation (Melissa Goldin, Mike Catalini, Ali Swenson. "Russian Actors Made Fake Video Depicting Mail-In Ballots for Trump Being Destroyed, FBI Says." *AP News*. October 25, 2024).

The following week, just days before the U.S. presidential election, the FBI announced that "Russian influence actors" were the source of a video depicting alleged voter fraud in Georgia. The video in Georgia showed a person who identified himself as a Haitian immigrant who planned to vote multiple times in two different Georgia counties for Vice President

Kamala Harris. This person briefly showed several Georgia IDs with different names and addresses, but neither of the IDs contained information matching any registered voter in the two counties in question, Gwinnett and Fulton. In response, Georgia Secretary of State Brad Raffensperger stated that the video was "obviously fake" and most likely the product of Russian trolls "attempting to sow discord and chaos on the eve of the election." U.S. intelligence officials echoed that finding the following day, pointing to "Russian influence actors" and explaining that the intelligence community expected Russia to continue "to create and release additional media content that seeks to undermine trust in the integrity of the election and divide Americans." While the original post circulating the Georgia video was no longer available online, people were still widely sharing various copycat versions claiming election fraud (Eric Tucker, Ali Swenson. "FBI Links Video Falsely Depicting Voter Fraud in Georgia to 'Russian Influence Actors'." *AP News*. November 1, 2024). Raffensperger directly urged social media companies to remove the fake Georgia video from their platforms. While a spokesperson for X responded that it was "taking action against the posts," which violated its policies, the video was still visible in posts on X two hours later. Meta stated that it was adding a label to the bottom of the video anytime it appeared on its platform stating that the content was "manufactured by Russian influence actors" (Rami Ayyub, Susan Heavey, Katie Paul, Sheila Dang. "US Blames Russia over Video Falsely Alleging Fraudulent Voting in State of Georgia." *Reuters*. November 1, 2024).

Misinformation Related to Hurricane Helene

Following the devastation of Hurricane Helene in early October 2024, victims were confronted with rapidly spreading misinformation regarding recovery efforts. Many local media outlets worked nonstop to counter false information and AI-generated images that emerged after the disaster, but the amount of rumors and theories was so great, it caused residents to inundate local officials with questions about the misinformation and prevented access to victims in need. Some of the disinformation was being spread by elected officials in the areas affected, as well as by former President Trump, who repeated rumors that the federal government was confiscating and diverting aid meant for the victims of Helene. The rumors prompted North Carolina State Senator Kevin Corbin to post online requesting followers to "help STOP this conspiracy theory junk that is floating all over Facebook and the internet about the floods in [Western North Carolina]," claiming the rumors were "just a distraction from people trying to do their job." Similarly, the American Red Cross posted online that misinformation was interfering with its ability to deliver critical aid to those affected. North Carolina Governor Roy Cooper said at a press conference that the rumors were having a real impact on the recovery efforts, while FEMA's administrator stated that "[t]his level of misinformation creates the scenario where [the victims] won't even come to us.... won't even register.... so they can get what they're eligible for through our programs" (Michael Williams. " With Misinformation Swirling in Hurricane Helene's Wake, Officials Urge Residents to 'Stop This Conspiracy Theory Junk'." *CNN*. October 4, 2024).

AI-generated images of children fleeing Hurricane Helene, as well as old clips of different storms and computer-generated videos were spreading false information and fueling conspiracy theories about the hurricane and about the government's ability to geo-engineer the weather. Much of the false information about Hurricane Helene and Hurricane Milton was spread on X, which has rules against faked AI content and "Community Notes" for added context but had removed a feature that allowed users to report misleading information. According to the Institute of Strategic Dialogue, fewer than three dozen false or abusive posts were viewed 160 million times on X, illustrating that misinformation was going viral and being spread to more people than during previous storms (Marianna Spring. " How Hurricane Conspiracy Theories Took over Social Media." *BBC*. October 10, 2024).

Even after AI-generated images were flagged, some people doubled down on the fake information. For example, a Republican National Committee member representing Georgia responded on X, regarding an image of a young survivor of Hurricane Helene, that she didn't know where the photo came from but that it didn't matter. Other fake images spread online included AI-generated images of animals on rooftops after Hurricanes Helene and Milton. Some experts pointed out that it was often harder for people to fact-check images than text, and that hyper-realistic, uncanny AI-generated images could impact viewers even when they knew, on closer inspection, that the images were false (Huo Jingnan. " AI-Generated Images Have Become a New Form of Propaganda this Election Season." *NPR*. October 18, 2024).

Tech Industry Response to Misinformation and Disinformation

In the past several years, many companies in the tech industry have taken steps to combat the issue of false news dissemination. Alphabet, for example, is employing third-party fact-checking services to display information about claims regarding controversial issues. In the run-up to the 2016 U.S. presidential election, the firm employed a similar system in its Google News service; after it was deemed to be successful, Alphabet expanded the service in a number of other countries, before finally offering the service on a site-wide basis (Nick Summers. "Google Will Flag Fake News Stories in Search Results." *Engadget*. April 7, 2017). Further, since 2016, Alphabet has funded almost 20 European projects aimed at fact-checking potentially false reports (Mark Scott. "In Europe's Election Season, Tech Vies to Fight Fake News." *New York Times*. May 1, 2017). In April 2017, the firm responded to the phenomenon by enhancing its search ranking system and adding direct feedback tools to its search function so that misleading information can be flagged by users. In March 2018, Alphabet announced the launch of its Google News Initiative, a program in which it committed to investing $300 million over the next three years to improve the accuracy and quality of news appearing on its platforms. Alphabet, Twitter, and Meta also committed in November 2017 to using "trust indicators" to assist users in determining the reliability of news articles (Seth Fiegerman. "Facebook, Google, Twitter to Fight Fake News with 'Trust Indicators'." *CNN*. November 16, 2017). Additionally, both Alphabet and Meta were supporters of CrossCheck, a collaborative journalism verification project focused primarily on validating online material related to the 2017 French presidential election ("Fake News: Facebook and Google Team Up with French Media." *BBC News*. February 6, 2017).

Meta also pursued initiatives to address this issue following the 2016 presidential election. For example, it published a blog post outlining some of the technical changes it made to address the propagation of fake news. These include ways for users to report content as 'fake news,' which could then lead to a post being flagged upon appearing in a user's News Feed. Additionally, Meta stated that it had started a program to work with a third-party fact-checking organization, that it would review articles that people were not sharing after reading in an attempt to identify potentially misleading stories, and that it would work to disrupt the financial incentives for spammers (Gina Hall. "Facebook Promotes Former New York Times Staffer in Effort to Thwart Fake News." *Silicon Valley Business Journal*. May 1, 2017).

In early March 2024, Alphabet updated its algorithm to reduce low-quality spam content in Search results, specifically to identify and penalize low-quality AI-generated content falling outside of the firm's quality standards. Alphabet could be applying machine learning to detect poor-quality AI content, such as indicated by irregularities in syntax, lack of nuance, unnatural language, or illogical or abrupt shifts in content flow. A recent study of Google Search results found that the firm's algorithm does favor content created by humans over AI-generated content, with human-created content taking 83% of the top five search results (Samantha Dunn. "Google Algorithm Update Focuses on Quality, Targets AI-Generated Spam Content." *CCN*. May 2, 2024).

OpenAI announced plans to combat election misinformation in early 2024. The firm released a blog post reviewing its existing policies to fight misuse of generative AI tools, as well as discussing new initiatives. Among the steps it laid out, OpenAI stated that it would ban users from creating chatbots that impersonate real candidates or governments in order to discourage people from voting or misrepresent how voting works. Further, it explained that it won't allow users to build applications for political campaigning and lobbying until more research can be done on its technology. OpenAI also began permanently marking AI images created using its DALL-E image generator with information about their origin. Additionally, OpenAI stated that it was partnering with the National Association of Secretaries of State to direct ChatGPT users asking about voting logistics to accurate sources of information through the nonpartisan website CanIVote.org (Ali Swenson. "Here's How ChatGPT Maker OpenAI Plans to Deter Election Misinformation in 2024." *AP News*. January 16, 2024).

Ahead of the 2024 EU elections, Alphabet announced that Google's Jigsaw unit would run a series of animated ads across platforms in Belgium, France, Germany, Italy, and Poland featuring "prebunking" techniques to help viewers identify manipulative content before watching it. The ads were developed in partnership with researchers at the Universities of Cambridge and Bristol, and will be translated into all 24 official EU languages. The head of research at Jigsaw stated that it was a strategy that worked equally effectively across the political spectrum. Results, including survey responses and the number of people reached, are expected to be published in the summer of 2024 (Martin Coulter. "Exclusive: Google to Launch Anti-Misinformation Campaign Ahead of EU Elections." *Reuters*. February 16, 2024).

In April 2024, Alphabet's Google Ventures invested $20 million in the AI-powered social media monitoring platform Alethea Group. The startup planned to use the funding to build its product to detect online foreign disinformation campaigns. Alethea's machine-learning platform gathers news stories, social media posts, and other content to track adverse user behaviors, the proliferation of new accounts, and other indicators of disinformation. A recent report from Alethea suggested that Russian operatives were creating fake versions of real news websites to link to in their social media campaigns, a significantly more sophisticated approach than used in 2016 (Sam Sabin. "Exclusive: AI Disinfo Detection Startup Raises $20M." *Axios*. April 9, 2024).

OpenAI shared a blog post in May 2024 explaining how its chatbots were used to spread political spam on the messaging app Telegram channels and Russian propaganda on X, in addition to generating entire articles posted online. It then reported on how the firm was working to eliminate such misuse. OpenAI also banned a group of accounts linked to Spamouflage, which Microsoft and government agencies had linked to the Chinese government. In addition to its own monitoring, OpenAI affirmed that it was sharing information about these kinds of misinformation campaigns with other AI companies and researchers (Chase DiFeliciantonio. "OpenAI Says ChatGPT Is Already Being Used to Spread Misinformation. Here's How." *San Francisco Chronicle*. May 30, 2024).

Yet another example of OpenAI's efforts to confront AI misinformation came in August 2024, when the firm stated that it identified and banned several accounts connected to an Iranian influence campaign, Storm-2035, using generative AI to spread misinformation, including regarding the U.S. presidential election. At the time, OpenAI asserted that the Iranian effort did not seem to reach a sizable audience (Cade Metz. "OpenAI Says It Disrupted an Iranian Misinformation Campaign." *The New York Times*. August 23, 2024).

Leaks

In 2023, a researcher who was granted access by Meta to LLaMA (a large language model built by the tech company) leaked it for anyone to download online. This immediately raised concerns that this technology could be used to manufacture of large amounts of fake news, spam, phishing emails, disinformation, and incitement. In response, Meta stated that "[t]here is still more research that needs to be done to address the risks of bias, toxic comments, and hallucinations in large language models" and that "[l]ike other models, LLaMA shares these challenges." Meta also stated that, consistent with previous models, LLaMA was shared for research purposes. Further, Meta stated that while the model is not accessible to all, and some have tried to circumvent the approval process, the firm believes the current release strategy allows it to balance responsibility and openness (Katyanna Quach. " LLaMA Drama as Meta's Mega Language Model Leaks." *The Register*. March 8, 2023).

AI Washing

The term 'AI washing' refers to companies' exaggerations about the capabilities of their AI technology. This issue is becoming more salient given recent reports that certain companies are using humans to do the work that companies have said is being done by AI technology. A recent study found that more than 30% of companies' marketing claims about AI and machine learning were exaggerated among 40 different U.S. firms up for sale in 2019. Another study found that only 1,580 firms out of 2,830 startups claiming to be AI companies actually fit the description. Regulators are beginning to pay attention, with the SEC warning in February 2024 that AI washing could break securities law, and in March settling with two investment firms for $400,000 for AI exaggerations (Parmy Olson. "Amazon's AI Stores Seemed Too Magical. And They Were." *Bloomberg*. April 3, 2024).

TECH INDUSTRY CONCERNS REGARDING THE USE OF AI

Alongside the concerns raised by legislators and consumers, tech industry leaders have also voiced concerns about the direction of travel of AI technology. In March 2023, many of these leaders signed onto a letter calling for a six-month pause to work on systems "more powerful" than the GPT-4 framework. Apple's co-founder was among the letter's 1,800 signatories, which also included Elon Musk, cognitive scientist Gary Marcus, and engineers from Apple, DeepMind, Google, Meta, and Microsoft. The release of the letter also sparked backlash from some researchers who claimed that their signatures were added without permission, as well as from others whose work was cited in the letter. They criticized the letter's focus on imagined apocalyptic scenarios over the more immediate risks of the programming of racist or sexist bias into machines (Kari Paul. "Letter Signed By Elon Musk Demanding AI Research Pause Sparks Controversy." *The Guardian*. April 1, 2023).

Apple's co-founder further expressed concerns regarding AI. In May 2023, he explained that AI could be harnessed by "bad actors" and could make it harder for people to spot scams and misinformation. Further, he stated that responsibility for AI-generated content should rest with the people who publish that content and that the sector needed regulation (Philippa Wain. "Apple Co-Founder Says AI May Make Scams Harder to Spot." *BBC News*. May 8, 2023).

REGULATIONS GOVERNING AI AND DATA USAGE

In light of the rapid proliferation of AI and its potentially disruptive effects, it is unsurprising that regulators around the world have begun to address the use of these technologies. Below is a high-level discussion of the regulations concerning the use of AI.

United States

U.S. lawmakers and regulators have expressed increasing concern over the potential risks of generative AI as such models become more advanced and widespread. For instance, in a May 2023 meeting at the White House, then-President Joe Biden and then-Vice President Kamala Harris pushed AI developers, including Alphabet, OpenAI, and Microsoft, to seriously consider concerns over the use of AI. They also pushed for developers to be more open about their products, the need for AI systems to be subjected to outside scrutiny, and the importance that those products be kept away from bad actors. The White House further pledged to release draft guidelines for government agencies' use of AI safeguards (David McCabe. " White House Pushes Tech C.E.O.s to Limit Risks of A.I." *The New York Times*. May 4, 2023). Following the meeting, Microsoft, OpenAI, and five other companies engaged in AI development agreed to voluntary safeguards. The safeguards include security testing, in part by independent experts; research on bias and privacy concerns; information sharing about risks with governments and other organizations; development of tools to fight societal challenges like climate change; and transparency measures to identify AI-generated material (Michael D. Shear, Cecilia Kang, David E. Sanger. "Pressured by Biden, A.I. Companies Agree to Guardrails on New Tools." *The New York Times*. July 21, 2023).

Despite these voluntary measures, Biden signed an executive order in October 2023 requiring AI developers to share their safety test results and other information with the government. The order also directed government agencies to create new standards to ensure AI tools are safe and secure before public release, required new guidance to label and watermark

AI-generated content to help differentiate them from authentic interactions, and asked federal agencies to review the use of AI in the criminal justice system (Josh Boak, Matt O'Brien. " Biden Wants to Move Fast on AI Safeguards and Signs an Executive Order to Address His Concerns." *Associated Press*. October 30, 2023). According to an EY analysis, Biden's executive order represented a significant contribution to the subject of accountability in how AI is developed and deployed across companies. Moreover, given the breadth of recommendations and actions provided, the order was likely to have an effect on companies across all sectors of the economy. H owever, on January 21, 2025, President Donald Trump revoked Biden's executive order on addressing AI risks, claiming that the 2023 executive order hindered AI innovation (David Shepardson. "Trump Revokes Biden Executive Order on Addressing AI Risks." *Reuters*. January 21, 2025).

The EO was not the first attempt the Biden administration had made to curb the potential adverse impacts of AI. A year prior, in October 2022, the White House Office of Science and Technology Policy published a set of guidelines to help guide the design, use, and deployment of AI, which includes five principles: (i) safe and effective systems; (ii) algorithmic discrimination protections; (iii) data privacy; (iv) notice and explanation; and (v) human alternatives, consideration, and fallback. The Blueprint for an AI Bill of Rights was intended to provide guidance whenever automated systems can meaningfully impact the public's rights, opportunities, or access to critical needs (Ellen Glover, updated by Hal Koss. " AI Bill of Rights: What You Should Know." *Built In*. March 19, 2024).

AI developers have also attracted attention from the legislative and judicial branches. In September 2023, U.S. Senators Richard Blumenthal and Josh Hawley announced their plans to introduce a framework to regulate AI technology. The framework included requirements for the licensing and auditing of AI, the creation of an independent federal office to oversee the technology, liability for companies for privacy and civil rights violations, and requirements for data transparency and safety standards. The Senate also met with industry leaders, including from Microsoft and OpenAI, in a separate meeting on possible AI-related regulations (Cecilia Kang. " 2 Senators Propose Bipartisan Framework for A.I. Laws." *The New York Times*. September 7, 2023). Meanwhile, in a September 2023 letter, the attorneys general of all 50 U.S. states urged Congress to study how AI could be used in child exploitation. The letter further called on Congress to expand existing restrictions on child sexual abuse materials specifically to cover AI-generated images (Meg Kinnard. *"Prosecutors in All 50 States Urge Congress to Strengthen Tools to Fight AI Child Sexual Abuse Images." Associated Press*. September 5, 2023).

Around the same time, U.S. Senators Ron Wyden and Cory Booker, along with Representative Yvette Clarke, introduced the Algorithmic Accountability Act of 2023, to create new protections for people affected by AI systems that are impacting decisions affecting credit, housing, education and other high-impact uses. The bill applies to new generative AI systems used for critical decisions, as well as other AI and automated systems, and would obligate the FTC to require companies to perform impact assessments of their AI systems. It would also create a public repository at the FTC of these systems.

U.S. lawmakers also introduced the "Creating Resources for Every American to Experiment with Artificial Intelligence Act of 2023," or the CREATE AI Act of 2023, which would statutorily establish the National AI Research Resource, a cloud computing resource to democratize the development and use of AI, currently a proof-of-concept pilot program under the direction of the National Science Foundation. The legislation was sponsored by Rep. Anna Eshoo of California and includes 68 cosponsors. The bill is currently undergoing the legislative process and is identical to S.2714, sponsored by Senator Martin Heinrich of New Mexico in July 2023.

Meanwhile, the Bipartisan Senate Artificial Intelligence Working Group released a Roadmap for AI policy in May 2024, aiming to support federal investment in AI while safeguarding the risks of technology. The AI Working Group encouraged the executive branch and the Senate Appropriations Committee to continue assessing how to handle ongoing needs for federal investments in AI, with the goal of reaching as soon as possible the spending level proposed by the National Security Commission on Artificial Intelligence: at least $32 billion per year for (non-defense) AI innovation (p.5).

The roadmap identified areas of consensus that the working group believed merit bipartisan consideration in the Senate in the 118th Congress and beyond and provided several proposals (p.4), such as:

- Increasing funding for AI innovation to maintain global competitiveness;
- Ensuring the enforcement of existing AI laws and addressing any unintended bias;
- Considering the impact AI will have on the U.S. workforce, including potential job displacement and demands to train workers;
- Addressing issues related to deepfakes, particularly with regard to election content and “nonconsensual intimate images”; and
- Mitigating threats of “potential long-term risk scenarios.”

(Barbara Sprunt. "A Bipartisan Group of Senators Unveils a Plan to Tackle Artificial Intelligence." *NPR*. May 15, 2024)

Additionally, the group supported a comprehensive federal data privacy law to protect personal information and that the legislation should address issues related to data minimization, data security, consumer data rights, consent and disclosure, and data brokers (p.14). To safeguard against AI risks, the working group encouraged companies to perform detailed testing and evaluation to understand the landscape of potential harms and not to release AI systems that cannot meet industry standards (p.16).

In July 2024, the National Institute of Standards and Technology ("NIST"), an organization under the U.S. Department of Commerce, released three final guidance documents to help improve the safety, security, and trustworthiness of AI systems. NIST had previously launched the Trustworthy and Responsible AI Resource Center on March 30, 2023, which facilitates implementation of, and international alignment with, the AI Risk Management Framework.

Meanwhile, the U.S. Department of Commerce’s Bureau of Industry and Security released a notice of proposed rulemaking in September 2024 outlining a new mandatory reporting requirement for AI developers and cloud providers to ensure the technologies are safe and can withstand cyberattacks (David Shepardson. "US Proposes Requiring Reporting for Advanced AI, Cloud Providers." *Reuters*. September 9, 2024). The regulatory push came as legislative action in Congress on AI had stalled (David Shepardson. "US to Convene Global AI Safety Summit in November." *Reuters*. September 18, 2024).

AI systems have come under regulatory scrutiny as well. In July 2023, the FTC opened an investigation into whether OpenAI's ChatGPT tool harmed consumers through its collection of data and publication of false information on individuals. As part of the investigation, the FTC asked OpenAI about its AI model training and its use of personal data, and demanded that the firm provide it with documents and details (Cecilia Kang, Cade Metz. " F.T.C. Opens Investigation Into ChatGPT Maker Over Technology’s Potential Harms." *The New York Times.* July 13, 2023).

There have also been a number of state-level regulations introduced governing AI. For example, as of June 2023, nine states had enacted regulations relating to deepfake content, most often in the context of pornography and election influence, and four other states were pursuing similar bills. The first states to pass deep fake legislation include California, Texas, and Virginia, which passed bills in 2019, while Minnesota passed its deepfake law in May 2023 and Illinois signed new deepfake legislation in August 2024. Many states are also amending their election codes to ban deepfake campaign ads within a specific time frame before an election. Yet another complication to creating legislation to address harmful deepfakes is that some experts have expressed concern that well-meaning legislation, if not carefully crafted, could have a detrimental effect on people's First Amendment rights. For example, the ACLU of Illinois at first opposed the pornographic deepfake bill developed in Illinois because the bill's sweeping provisions and immediate takedown clause could "chill or silence vast amounts of protected speech." In response, lawmakers have employed various amendments to change the bill to include deepfakes into the state's existing revenge porn statute, which the ACLU said was an improvement, though it still maintained some concern. California, on the other hand, included specific references to First Amendment protections in its bill. Any federal regulations on AI-generated deepfakes will likely face the same concerns regarding free speech, especially if they include broad language such as limiting exceptions to "legitimate public concern" (Isaiah Poritz. "Deepfake Porn, Political Ads Push States to Curb Rampant AI Use." *Bloomberg Law.* June 20, 2023).

In the 2024 legislative session, at least 45 states, Puerto Rico, the Virgin Islands, and Washington D.C., introduced AI bills and 31 states, Puerto Rico, and the Virgin Islands adopted resolutions or enacted legislation.

Canada

On September 27, 2023, the Canadian Minister of Innovation, Science and Industry announced Canada’s Voluntary Code of Conduct on the Responsible Development and Management of Advanced Generative AI Systems ("Voluntary Code"). Recognizing the proliferation of innovative AI systems capable of generating content, such as ChatGPT, DALL·E 2, and Midjourney, the code is a set of voluntary commitments intended to commit developers and managers of advanced generative systems to undertake actions to identify and mitigate related risks. The Voluntary Code is intended to apply to advanced generative AI systems, but it acknowledges that several measures are broadly applicable to a range of high-impact AI systems.

In undertaking this voluntary commitment, developers and managers of advanced generative systems commit to working to achieve the following outcomes:

- Accountability: companies understand their role with regard to the systems they develop or manage, put in place appropriate risk management systems, and share information with other organizations as needed to avoid gaps;
- Safety: systems are subject to risk assessments, and mitigations needed to ensure safe operation are put in place prior to deployment;
- Fairness and Equity: potential impacts with regard to fairness and equity are assessed and addressed at different phases of development and deployment of the systems;
- Transparency: sufficient information is published to allow consumers to make informed decisions and for experts to evaluate whether risks have been adequately addressed;
- Human oversight and monitoring: system use is monitored after deployment, and updates are implemented as needed to address any risks that materialize; and

- Validity and robustness: systems operate as intended, are secure against cyberattacks, and their behaviour in response to the range of tasks or situations to which they are likely to be exposed is understood.

As such, the Voluntary Code of Conduct requires companies to implement appropriate risk management systems that are proportionate to the scale and impact of their activities. It also commits developers and managers to, among other measures, implement comprehensive risk management frameworks, including policies, procedures, and training to ensure staff understand their duties and the organization's risk management practices. Companies also commit to sharing information and best practices on risk management with other firms playing complementary roles in the ecosystem. In addition, developers at companies whose AI systems are available for public use commit to employing multiple lines of defense, which include conducting third-party audits, to ensure the safety of their AI systems prior to release.

In March 2025, the Canadian Minister of Innovation, Science and Industry announced a series of initiatives to support responsible and safe AI adoption, including:

- A refreshed membership for the Advisory Council on Artificial Intelligence;
- The launch of the Safe and Secure Artificial Intelligence Advisory Group to advise the government on the risks associated with AI systems and ways to address them; and
- The publication of a guide for managers of AI systems to support the implementation of Canada's Voluntary Code of Conduct on the Responsible Development and Management of Advanced Generative AI Systems.

At the time, six new organizations, including CIBC, Clir, Cofomo Inc., Intel Corporation, Jolera Inc. and PaymentEvolution, signed on to the Voluntary Code. The six companies joined 40 other signatories that have already adopted the pledge (Innovation, Science, and Economic Development Canada. "Canada Moves Toward Safe and Responsible Artificial Intelligence." *Cision Newswire*. March 6, 2025).

The European Artificial Intelligence Act

After months of negotiations between different political groups, European lawmakers agreed on the EU AI Act, the world's first comprehensive set of rules governing AI technology, in May 2024 (Martin Coulter. "Tech Giants Push to Dilute Europe's AI Act." *Reuters*. September 20, 2024). The Act came into effect on August 1, 2024, introducing a framework across all EU countries, based on a forward-looking definition of AI and a risk-based approach:

- Minimal risk: most AI systems such as spam filters and AI-enabled video games face no obligation under the Act, but companies can voluntarily adopt additional codes of conduct;
- Specific transparency risk: systems like chatbots must clearly inform users that they are interacting with a machine, while certain AI-generated content must be labeled as such;
- High risk: high-risk AI systems such as AI-based medical software of AI systems used for recruitment must comply with strict requirements, including risk-mitigation systems, high-quality of data sets, clear user information, human oversight, etc.; and
- Unacceptable risk: for example, AI systems that allow "social scoring" by governments or companies are considered a clear threat to people's fundamental rights and are therefore banned.

Nevertheless, lawmakers still had to determine the accompanying codes of practice and the EU invited companies, researchers, and others to help in the drafting. The EU received almost 1,000 applications, with the largest tech companies encouraging a light-touch approach to the law's implementation. The code of practice would come into effect in late 2025 but would not be legally binding; rather, it would provide a compliance checklist to companies. The EU AI Act addresses a variety of AI issues, including data scraping practices that could potentially breach copyright. Companies would have to disclose "detailed summaries" of the data used to train models, potentially providing an avenue for legal recourse to creators whose work was used to train AI models. Some business leaders worried that the Act's requirements could render companies' trade secrets vulnerable and criticized the EU for prioritizing regulation over innovation (Martin Coulter. "Tech Giants Push to Dilute Europe's AI Act." *Reuters*. September 20, 2024).

A new tool from Swiss startup LatticeFlow AI and partners ETH Zurich and Bulgaria's INSAIT tested generative-AI models like those from OpenAI and Meta, among others, across dozens of categories and in line with the new EU AI Act, which comes into effect in stages over the next two years. While the results showed that models developed by OpenAI, Meta, Mistral, Alibaba, and Anthropic all received average scores of 0.75 or above (out of scores between 0 and 1), some models demonstrated shortcomings in key areas. Regarding discriminatory output, OpenAI's GPT-3.5 Turbo scored a relatively low 0.46, and Alibaba Cloud's Qwen1.5 72B Chat scored only 0.37. When tested for prompt hijacking, a type of cyberattack using malicious prompts, Meta's Llama' 2 13B Chat model scored 0.42 and Mistral's 8x7B Instruct scored 0.38. The LatticeFlow LLM checker would be extended to include further measures as they were introduced, and LatticeFlow stated that it would be freely available for developers to test their models' compliance online. The European Commission said it welcomed the study and evaluation platform as a first step in translating the EU AI Act into technical requirements. Companies failing to comply with the EU AI Act could face fines of 35 million euros or $38 million (Martin Coulter. " Exclusive: EU AI Act Checker Reveals Big Tech's Compliance Pitfalls." *Reuters*. October 16, 2024).

Other International Regulations

Meanwhile, both Israel and Japan quickly clarified their existing regulations pertaining to data, privacy, and copyright protections, both with language that enabled AI to train with copyrighted content. Responding more broadly, the United Arab Emirates has developed draft legislation, working groups on AI best practices, and sweeping proclamations regarding AI strategy. Still many other countries are opting for a wait-and-see approach, despite the array of warnings regarding the need for international cooperation on AI regulation and inspection, including a statement from OpenAI's CEO in May 2023 emphasizing the "existential risk" of AI technology (Mikhail Klimentov. " From China to Brazil, Here's How AI Is Regulated Around the World." *The Washington Post.* September 3, 2023).

For example, in Brazil, legislators have developed a 900-page draft of a bill that would require companies to conduct risk assessments before bringing a product to market, and it explicitly bans AI systems that deploy "subliminal" techniques or exploit users in ways that are harmful to their health or safety. It would also require a government database to publicize AI products determined to have "high risk" implementations and AI developers would be liable for damage caused by their AI systems. Similar to the EU AI Act, the Brazilian draft legislation categorizes different types of AI based on the risk they pose to society (Mikhail Klimentov. " From China to Brazil, Here's How AI Is Regulated Around the World." *The Washington Post*. September 3, 2023).

There have also been attempts to regulate AI within the UK. In March 2023, the UK government published an AI policy paper that outlined proposals for regulating the use of AI within the country, though it stated that it will refrain from regulating the British AI sector "in the short term" (Daria Mosolova. "UK Will Refrain from Regulating AI 'In the Short Term'." *Financial Times*. November 16, 2023). In the long-term, however, the UK government has signaled its intent to draft a central cross-economy AI risk register and update its AI regulation roadmap with indications of whether a government unit or independent body would be the most appropriate mechanism to deliver the central functions.

There is also potential regulatory momentum in China. In January 2024, the country issued draft guidelines for standardizing the AI industry, proposing the formation of more than 50 national and industry-wide standards by 2026 and stating its intention to participate in the formation of more than 20 international standards by the same time. China's industry ministry stated that the aim of 60% of the prospective standards should be serving "general key technologies and application development projects," and it has targeted more than 1,000 companies to adopt and advocate for the new standards (Josh Ye. "China Issues Drafts Guidelines for Standardizing AI Industry." *Reuters*. January 18, 2024). China has also created a draft bill regarding generative AI, with a translation indicating that developers would "bear responsibility" for outcry created by their AI. The draft bill would also hold developers liable if their use of training data infringed on someone else's intellectual property, and it also states that the design of AI services must lead to the generation of only "true and accurate" content (Mikhail Klimentov. " From China to Brazil, Here's How AI Is Regulated Around the World." *The Washington Post*. September 3, 2023).

There have also been multilateral attempts at regulating AI technologies. In May 2023, the U.S.-EU Trade and Technology Council stated in May 2023 their intention to develop a voluntary AI Code of Conduct as concerns grow about the risks AI poses to humanity (" US, Europe Working on Voluntary AI Code of Conduct As Calls Grow For Regulation." *AP News*. May 31, 2023). In late October 2023, leaders of the Group of Seven ("G7") economies (made up of Canada, France, Germany, Italy, Japan, Britain, the U.S., and the EU), agreed to the voluntary code of conduct. The code includes 11 points and aims "to promote safe, secure, and trustworthy AI worldwide and provides voluntary guidance for actions by organizations developing the most advanced AI systems, including the most advanced foundation models and generative AI systems". The code urges companies to take appropriate measures to identify, evaluate, and mitigate risks throughout the AI life-cycle and to address incidents and patterns of misuse after AI products have been released on the market (Foo Yun Chee. " Exclusive: G7 to Agree AI Code of Conduct For Companies." *Reuters*. October 29, 2023).

ARTIFICIAL INTELLIGENCE AT THE COMPANY

As extensively noted above, there are myriad uses for AI technology. Accordingly, each company has unique risk exposures that largely depend on the types and uses of AI employed by a given company. Below is a high-level discussion of how the Company is employing this technology.

The Company discusses some of the ways it is using generative AI, including:

- A more conversational Alexa;
- Improved product listings;
- More engaging advertisements with Amazon Ad Console;
- Customer ability to pay with their palms using Amazon One (available at all Whole Foods Market stores in the U.S.), a contactless identity service that enables customers to use their palm to make payments, verify their ages, or enter locations;
- Access to product review highlights;
- Ability to track and predict football plays using Defensive Alerts from *Thursday Night Football*;

- Eliminated checkout lines at sporting event concession stands with Just Walk Out technology; and
- More structured prescriptions that are easier to read.

The Company also reviews the ways it is using AI towards its sustainability efforts, including:

- Reducing packaging use with the Packaging Decision Engine AI model;
- Identifying damaged items to prevent waste;
- Monitoring produce to reduce food waste with Amazon Fresh;
- Reducing returns using personalized recommendations for customers and the Fit Insights Tool;
- Measuring the carbon footprint for products with Flamingo, an AI-based algorithm that leverages natural language processing to match text descriptions for environmental impact factors with specific products;
- Preventing Brazilian deforestation with a large-scale AI model from Amazon Web Services ("AWS") that monitors deforestation; and
- Using AWS Trainium chips to power generative AI models more efficiently.

Additionally, the Company discusses its executive's guide to generative AI for sustainability, with topics on understanding the potential, recognizing the operational challenges, setting the right data foundations, identifying high-impact opportunities, using the right tools and the right approach, simplifying the development of applications, building robust feedback mechanisms for evaluation, measuring impact and maximizing return on investment, minimizing resource usage, managing risks and implementing responsibly, and investing in education and training.

The Company also provides information on the AI features it offers to selling partners to make their own websites and employ AI-generative listing tools with their products. It has also used AI to improve the holiday shopping and delivery process.

The Company offers a range of products related to AI, large language models, and other foundation models, and it details how AWS offers a secure approach to generative AI to protect highly sensitive data and investments. It provides information on products such as AWS Nitro System, Amazon Elastic Compute Cloud, AWS Inferentia, AWS Trainium, and Elastic Fabric Adapter, among others. It also discusses AWS's security capabilities associated with its generative AI. Specifically, it states that at AWS, securing AI infrastructure refers to zero access to sensitive AI data, such as AI model weights and data processed with those models, by any unauthorized person, either at the infrastructure operator or at the customer. It’s comprised of three key principles:

1. Complete isolation of the AI data from the infrastructure operator – The infrastructure operator must have no ability to access customer content and AI data, such as AI model weights and data processed with models;
2. Ability for customers to isolate AI data from themselves – The infrastructure must provide a mechanism to allow model weights and data to be loaded into hardware, while remaining isolated and inaccessible from customers’ own users and software; and
3. Protected infrastructure communications – The communication between devices in the ML accelerator infrastructure must be protected. All externally accessible links between the devices must be encrypted.

Regarding the Slack platform, the Company discusses the Slack AI, whose initial search and summarization features and safeguard features are powered by a collaboration between Salesforce's Slack and the Company's SageMaker JumpStart machine learning hub.

It also examines how AWS enables UC Davis Health Cloud Innovation Center to use generative AI to fight health misinformation through Project Heal, an open source, AI/ML-based toolkit concept. It uses machine learning, generative AI, and predictive analytics to aggregate information on health misinformation trends and provides the ability for public health officials to generate communications addressing misinformation for their respective communities.

In February 2025, the Company introduced its newest version of its Alexa personal assistant, Alexa+, highlighting that it was now powered by generative AI, making it more conversational, smarter, and personalized. Further, the Company explained that Alexa+ is designed to take action, meaning that it is capable of orchestrating across tens of thousands of services and devices by using "experts," or groups of systems, capabilities, APIs, and instructions to accomplish specific types of tasks for customers. For example, it can make reservations and appointments, explore discographies and play music from providers, order groceries or food deliveries, provide reminders when tickets go on sale, and send alerts to customers about people approaching their homes. The Company also stated that Alexa+'s agentic capabilities will allow it to navigate the internet in self-directed ways, for instance, completely handling arrangements to get an oven repaired, with no supervision or intervention necessary. The Company adds that it has infused cutting-edge LLMs with Alexa's knowledge base to create a meaningfully smarter AI assistant that never stops learning. It further discusses how it rebuilt Alexa with generative AI on its website.

In March, the Company formed a new group, Agentic AI, to automate tasks for users so they do not have to prompt systems to act (Greg Bensinger. "Amazon's AWS Forms New Group Focused on Agentic AI." *Reuters*. March 4, 2025). The Company then presented its Agentic Store and discussed how AI can orchestrate every aspect of retail operations in real time. It notes that 84% of retail executives report feeling the effects of data silos and that, for the average retailer, disconnected systems result in losses exceeding $5 million per hour, with the problem only compounding as retailers adopt new technologies. As a result, the Company presents its Agentic Store as a solution to the fragmentation of the store technology ecosystem, and states that Agentic Store, powered by AWS services, creates a unified platform where AI agents continuously monitor, predict, and coordinate responses across all store systems.

It also introduced Amazon Nova Sonic, human-like voice conversations for generative AI applications, to streamline the implementation of speech-enabled applications. The Company notes that its Nova Sonic unifies speech understanding and generation into a single model that developers can use to create natural, human-like conversational AI experiences, streamlining development and reducing complexity when building conversational applications. It adds that Nova Sonic's unified model architecture delivers expressive speech generation and real-time text transcription without requiring a separate model, creating an adaptive speech response that dynamically adjusts its delivery based on prosody, such as pace and timbre, of input speech. Further, the Company shares that developers using Nova Sonic have access to function calling (known as tool use) and agentic workflows to interact with external services and APIs and perform tasks in the customer's environment, including knowledge grounding with enterprise data using Retrieval-Augmented Generation. In a separate blog post, the Company further explains how the Nova Sonic foundation model understands not just what users say but how they say it. The Company also provides a new website to enable developers to explore Nova and the Company's foundation models. The launch of the Company's new Nova Act AI model put the Company in more direct competition with OpenAi, Anthropic, and other companies' "agents" (Annie Palmer, Hayden Field. "Amazon's Nova AI Agent Launch Puts It Up Against Rivals OpenAI, Anthropic." *CNBC*. March 31, 2025). Of further note, the industry has shifted toward investment in "agents," which are built for productivity and complex task completion, with the ability to generate their own to-do lists, rather than for providing answers like chatbots and image generators (Hayden Field. "AI Agents Are Having a 'ChatGPT Moment' as Investors Look for What's Next After Chatbots." *CNBC*. June 7, 2024).

The Company's CEO justified the multi-billion-dollar investment in AI in a letter to shareholders in April 2025, explaining that "if your mission is to make customers' lives better and easier every day, and you believe every customer experience will be reinvented by AI, you're going to invest deeply and broadly in AI." He further specified that substantial capital investment was required to build data centers and obtain AI chips (Greg Bensinger, Deborah Mary Sophia. "Amazon CEO Sets Out AI Investment Mission in Annual Shareholder Letter." *Reuters*. April 10, 2025).

Controversies Concerning the Company's Use of AI

In its annual shareholder letter, the Company's CEO stated that he was "optimistic that much of this world-changing AI will be built on top of AWS." He further discussed the Company's AI strategy, which focused on the underlying, foundational AI models to sell to enterprise customers rather than on customer-facing products and applications such as ChatGPT. While the Company added an AI expert to its board and has committed billions to building AI data centers, it has experienced some trouble with its AI products and services, such as: (i) its Just Walk Out technology, (ii) its Rufus shopping assisting that failed to meaningfully improve on the existing search-based shopping experience, and (iii) its stalled improvements to Alexa. It also cut hundreds of positions associated with its Just Walk Out program (Caroline O'Donovan, Gerrit De Vynck. "The Future of AI Will Run on Amazon, Company CEO Says." *The Washington Post*. April 11, 2024).

Government Contracts

As part of its rationale for this proposal, the proponent cites the Company's 2020 takeover of Department of Defense contracts related to Project Maven, which occurred after Alphabet dropped the project in response to protests from its employees. Microsoft had also taken on some of the contracts in 2019, which, in total, were worth $50 million ($30 million to Microsoft and $20 million to the Company)and focused on AI analysis of drone and aerial footage to identify objects for the U.S. military. The staff protests at Alphabet led the firm to establish its AI principles, which include not working on technologies that would "cause or are likely to cause overall harm" or on weapons intended to "directly facilitate injury to people" (Sebastian Moss. "As the War on Terror Nears Its 20th Anniversary, Companies Still Profit Off of the Rapid Drone Surveillance Build Out." *Data Center Dynamics*. September 8, 2021).

Misinformation Concerning the 2020 Presidential Election

The proponent also cited concerns about the Company's voice assistant Alexa responding with misinformation about the 2020 election. Specifically, *The Washington Post* reported in the fall of 2023 that when asked about fraud in the election between Biden and Trump, Alexa cited the video-streaming service Rumble, saying that the election was "stolen by a massive amount of election fraud." Further, Alexa then referred to the subscription newsletter service Substack in reporting that the 2020 races were "notorious for many incidents of irregularities and indications pointing to electoral fraud," and it even cited an Alexa Answers contributor as evidence that Trump had won Pennsylvania. The Company stated that it continually audits and improves its systems for detecting and blocking inaccurate content and that "[t]hese responses were errors delivered a small number of times, and quickly fixed" when brought to the Company's attention. Additionally, the Company emphasized that during elections, Alexa provides real-time information through "credible sources" such as Reuters, Ballotpedia, and RealClearPolitics. Nevertheless, when *The Washington Post* retested the voice assistant on the same questions after they had been flagged to the Company, Alexa still responded to some questions saying that the 2020 election was stolen (Cat Zakrzewski. "Amazon's Alexa Has Been Claiming the 2020 Election Was Stolen." *The Washington Post*. October 7, 2023).

AI Use During Pro Sports

Various legal concerns were emerging in relation to AWS's use of AI during live football games, including that the National Football League could impose approval rights or other contractual limitations on the use of AI, as well as issues relating to players' collective bargaining agreements and privacy and publicity rights (Shirin Malkani, John Delaney. "AI at Super Bowl Raises Contract, Copyright Issues for Pro Sports." *Bloomberg Law*. February 9, 2024).

AI Washing

The Company began to phase out its cashier-less checkout program, known as Just Walk Out, from its Amazon Fresh grocery stores in spring 2024. Despite the Company's claims that its generative AI technology would enable customers to choose items and just walk out of stores, it was partially relying on more than 1,000 people in India watching and labeling videos to ensure the accuracy of Just Walk Out checkouts. The Company stated that the workers were annotating videos to help improve them and that the workers only validated a "small minority" of the checkouts when the Company's AI technology could not determine a purchase. The Company's reliance on human workers for its Just Walk Out program raises the possibility of "AI washing," where companies may exploit AI terms and trends while exaggerating the capabilities and services they are offering. For instance, the Company employed thousands of contractors to listen to Alexa commands as part of "supervised learning" in AI. However, (as mentioned above), the SEC recently warned that AI washing could break securities law, and in March 2024, it settled with two investment firms for $400,000 for AI exaggerations (Parmy Olson. "Amazon's AI Stores Seemed Too Magical. And They Were." *Bloomberg*. April 3, 2024).

Copyright Infringement

In September 2023, the Company stated that it would start requiring writers selling books through its e-book program to tell the Company in advance if the work uses AI material. The decision came after months of complaints from the Authors Guild and other groups regarding fears of AI-generated books crowding out traditional workers, and would be unfair to consumers who would not know that they were purchasing AI content (Hillel Italie. "Amazon to Require Some Authors to Disclose the Use of AI Material." *AP News*. September 8, 2023).

Further, a screenwriter filed suit against MGM Studios (for which the Company is the parent company) in February 2024, claiming copyright infringement for not licensing his 1986 screenplay to "Road House," the rights for which the screenwriter claimed to have clawed back. He was seeking a court order to block the remake's release. The suit also alleged that the Company used generative AI during the actors' strike, in violation of collective bargaining agreements with SAG-AFTRA and the Director's Guild of America. In response, the Company and MGM Studios argued that the Road House screenplay was a "work-made-for-hire," which is exempt from copyright clawback under the U.S. Copyright Act. The Company and MGM Studios also face litigation regarding "Predator," "Terminator," and "Friday the 13th," among other titles. MGM Studios and its parent, the Company, filed a countersuit in May, arguing that the plaintiff lied to the U.S. Copyright Office about being the true author of the "Road House" screenplay. It explained that the screenplay was written by a work-made-for-hire under the plaintiff's production banner Lady Amos, but the plaintiff responded that he and Lady Amos were "alter egos" and that United Artists, which was acquired by MGM, required him to structure his contract in that way (Winston Cho. "'Road House' Copyright Dispute Sparks Countersuit from Amazon Studios, MGM." *The Hollywood Reporter*. May 6, 2024).

UK Competition Concerns

In April 2024, the UK's Competition and Markets Authority ("CMA") announced that it was investigating whether the Company and AI firm Anthropic threatened UK competition, as it was also examining Microsoft's partnership with Mistral and Inflection AI. The regulator found a pattern of large tech firms investing in AI startups, which could lead to concerns regarding competition. Microsoft stated that it remained confident that its practices promote competition. The Company responded that CMA's investigation was unprecedented and that its collaboration with Anthropic is a limited investment and does not include Company control of Anthropic's models on multiple cloud providers. The CMA also opened a separate exploration of the cloud-computing market. Though the Company has moved slower on adding generative AI capabilities than some of its peers, the Company leads the market with its cloud business. Most recently, the Company invested $2.75 billion into Anthropic in March 2024, with the startup using the Company's custom-made chips as well as relying on AWS for some of its operations (Katharine Gemmell, Mark Bergen. "Microsoft, Amazon AI Deals Get UK Antitrust Scrutiny." *Bloomberg*. April 24, 2024). In September 2023, the Company had initially invested $1.25 billion in Anthropic, so its subsequent investment in the startup in March 2024 brought the Company's total investment to $4 billion.

COMPANY DISCLOSURE AND BOARD OVERSIGHT OF AI

Its Global Human Rights Principles affirm that the Company is committed to respecting internationally recognized human rights as defined by international standards and frameworks developed by the UN and the International Labour Organization ("ILO"), including the UN Universal Declaration of Human Rights; the Core Conventions of the ILO; and the ILO Declaration on Fundamental Principles and Rights at Work. The Company adds that it is committed to respecting the fundamental dignity of people throughout its entire value chain, addressing human rights in the workplace; with suppliers, customers, and communities. It also asserts that it embeds respect for human rights throughout its business activities.

Regarding the responsible use of AI, the Company provides its AWS Responsible AI policy, which prohibits the use or facilitation of others' use of AI/ML services:

- For intentional disinformation or deception;
- To violate the privacy rights of others, including unlawful tracking, monitoring, and identification;
- To depict a person's voice or likeness without their consent or other appropriate rights, including unauthorized impersonation and non-consensual sexual imagery;
- For harm or abuse of a minor, including grooming and child sexual exploitation;
- To harass, harm, or encourage the harm of individuals or specific groups;
- To intentionally circumvent safety filters and functionality or prompt models to act in a manner that violates the Company's policies; and
- To perform a lethal function in a weapon without human authorization or control.

It also discusses responsible AI requirements and provides AWS's acceptable use policy and service terms. Additionally, the Company features a webpage on transforming responsible AI from theory into practice, with information on building AI responsibly at AWS, core dimensions of responsible AI (fairness, explainability, privacy and security, safety, controllability, veracity and robustness, governance, and transparency) and services and tools for users, including implementing safeguards in generative AI with guardrails, model evaluation, bias and explainability, human-in-the-loop, and governance. The Amazon Bedrock Guardrails discuss: (i) bringing a consistent level of safety across generative AI applications (with a step-by-step guide); (ii) detecting hallucinations in model responses using contextual grounding checks; (iii) helping prevent factual errors from hallucinations and gaining verifiable accuracy with automated reasoning checks; (iv) blocking undesirable topics in generative AI applications; (v) filtering harmful multimodal content based on users' responsible AI policies; and (vi) redacting sensitive information such as personally identifiable information to protect privacy.

The Company also provides its Model Evaluation on Amazon Bedrock to help users evaluate, compare, and select the best foundation models for their specific use case based on custom metrics, such as accuracy, robustness, and toxicity. It also features Amazon SageMaker Clarify and fmeval for model evaluation. Regarding bias and explaining predictions, the Company states that biases are imbalances in data or disparities in the performance of a model across different groups, and it explains that its SageMaker Clarify can help mitigate bias by detecting potential bias during data preparation, after model training, and in a user's deployed model by examining specific attributes. It also clarifies that understanding a model's behavior is important to developing more accurate models and making better decisions, and Amazon SageMaker Clarify provides greater visibility into model behavior, so users can provide transparency to stakeholders, inform humans making decisions, and track whether a model is performing as intended.

The Company also addresses monitoring and human review, explaining that monitoring is important to maintain high-quality machine learning models and to help ensure accurate predictions. It states that Amazon SageMaker Model Monitor automatically detects and alerts users to inaccurate predictions from deployed models, and with Amazon SageMaker Ground Truth enables users to apply human feedback across the machine learning lifecycle to improve the accuracy and relevancy of models. Additionally, the Company discusses improving governance with ML Governance from Amazon SageMaker, which provides purpose-built tools for improving governance of users' machine learning projects by giving users tighter control and visibility over their machine learning models. It explains that users can easily capture and share model information and stay informed on model behavior, like bias, all in one place.

It also examines how to assess the risk of AI systems. Further, the Company provides additional tools and resources to **support the end-to-end AI lifecycle**. It also discusses joining the U.S. AI Safety Institute Consortium established by the National Institute of Standards and Technology ("NIST") to advance responsible AI. It adds that it is collaborating with NIST to establish a new measurement science that will enable the identification of proven, scalable, and interoperable measurements and methodologies to promote the development of trustworthy AI and its responsible use. The Company will also contribute $5 million in compute credits to NIST to enable the development of tools and methodologies that organizations can use to evaluate the safety of their foundation models.

In July 2023, the Company committed to promoting the safe, secure, and transparent development of AI technology that benefits society in collaboration with the White House and other regulators, organizations, and the AI community. Through its participation, the Company made the following voluntary commitments:

1. Commit to internal and external adversarial-style testing (also known as "red-teaming") of models or systems in areas including misuse, societal risks, and national security concerns, such as bio, cyber, and other safety areas;

2. Work toward information sharing among companies and governments regarding trust and safety risks, dangerous or emergent capabilities, and attempts to circumvent safeguards;
3. Develop and deploy mechanisms that enable users to determine if audio or visual content is AI-generated, including robust provenance, watermarking, or both, for AI-generated audio or visual content;
4. Invest in cybersecurity and insider threat safeguards to protect proprietary and unreleased model weights;
5. Incentivize third-party discovery and reporting of issues and vulnerabilities;
6. Publicly report model or system capabilities, limitations, and domains of appropriate and inappropriate use, including discussion of societal risks, such as effects on fairness and bias;
7. Prioritize research on societal risks posed by AI systems, including on avoiding harmful bias and discrimination, and protecting privacy; and
8. Develop and deploy frontier AI systems to help address society's greatest challenges.

Following up on one of those commitments, the Company announced in April 2024 that its Titan Image Generator is now generally available in Amazon Bedrock, and it states that all of the images generated with the AI foundation model have an invisible watermark, by default, which is designed to help reduce the spread of misinformation by providing a mechanism to identify AI-generated images. Further, the Company explains that watermark detection for Titan Image Generator is now generally available in the Amazon Bedrock console. It then provides details on how the tool works.

Additionally, the Company discusses its participation in the UK's AI Safety Summit. In 2023, it also announced new tools and capabilities to enable responsible AI innovation, including built-in security scanning in Amazon CodeWhisperer, training to detect and block harmful content in Amazon Titan, and data privacy protections in Amazon Bedrock, among other things. Further, the Company's Kindle Direct Publishing provides content guidelines that specifically address AI content, requiring users to inform it of AI-generated content (text, images, or translations) when publishing a new book or making edits to and republishing an existing book through Kindle Direct Publishing.

In July 2024, the Company released a statement on balancing AI innovation with safety concerns, in which it discusses collaborating on efforts such as the roadmap for AI policy from U.S. senators, the G7 AI Hiroshima Process Code of Conduct, and the AI Safety Summits in the U.S. and Seoul. Around the same time, the Company shared a progress update on its commitment to safe, responsible generative AI. In discussing how it promoted collaboration among companies and governments regarding trust and safety risks, it states that it is a member of the Frontier Model Forum to advance the science, standards, and best practices in the development of frontier AI models. The Company also addresses new tools and capabilities to build and scale generative AI safely, supported by adversarial style testing (i.e. red teaming); introducing watermarking to enable users to determine if visual content is AI-generated; using AI as a force for good to address society's greatest challenges and supporting initiatives that foster education; and delivering groundbreaking innovation with trust at the forefront. The Company also discloses its frontier model safety framework.

Board Oversight of AI

In its response to this proposal, the Company states that the nominating and corporate governance committee charter specifically gives it responsibility for overseeing and monitoring risks related to the Company's operations and engagement with customers, suppliers, and communities. In this capacity, the nominating and corporate governance committee, which includes directors with experience in emerging technologies and public policy, oversees and reviews aspects of the Company's technologies, products, and services. These reviews focus on the actual operation and use of Company technologies, potential concerns and misuse that could arise from these technologies, and the Company's actions to resolve or mitigate those risks and concerns. For example, the nominating and corporate governance committee recently reviewed the Company's global approach to responsible AI development and AI governance. Similarly, the audit committee, which includes directors with experience in emerging technologies and risk management within large and evolving corporations, is responsible for overseeing the Company's risk assessment and risk management policies. These committees regularly meet with, and receive updates from, management on the policies, practices, and initiatives relating to the use of technology, including AI, across the Company's operations (2025 DEF 14A, p.47).

Similarly, the leadership development and compensation committee's charter specifically confirms that it is responsible for overseeing and monitoring the Company's strategies and policies related to human capital management within the Company's workforce, including with respect to policies on non-discrimination in employment, workplace environment and safety, and corporate culture. The audit committee is responsible for overseeing the Company's risk assessment and risk management policies. These committees regularly meet with, and receive updates from, management on the Company's policies, practices, and initiatives relating to the use of technology, including AI, across the Company's operations (p.47).

Summary

Analyst Note	The Company provides a broad range of disclosures related to its use of AI as well as its oversight of the technology. The Company explicitly discusses the use of responsible AI practices as well as its human rights considerations in a manner that allows shareholders to fully comprehend how the Company is considering and overseeing these matters.

RECOMMENDATION

As extensively detailed above, we understand the Company faces myriad risks from the use of AI technologies in its operations. As such, we believe that it should maintain robust oversight of how AI is used and what human rights-related considerations are made in its use, as a failure to do so could represent reputational and legal risks. This proposal is not requesting that the Company establish such oversight, as the Company currently maintains explicit oversight of AI-related issues. Rather, this proposal is requesting an independent third-party assessment of the board and its committee structure in providing oversight of human rights risks associated with AI.

Not only would such an assessment likely be resource-intensive, we do not believe that such an assessment would provide shareholders with meaningful information given the Company's existing disclosures. Moreover, we do not believe that the proponent has provided a compelling rationale for how the board has failed in its oversight responsibilities or that the Company has, more broadly, failed to consider the ethical implications of its use of AI. Further, it does not appear that shareholders have demonstrated significant concerns with respect to the board's oversight of this issue in recent years; despite the board already maintaining oversight of AI, a shareholder proposal at the Company's 2024 AGM requesting that the board charter a new committee of independent directors on AI to address human rights risks associated with the development and deployment of AI systems only received 9.7%. As such, we do not find significant cause to escalate this matter to the extent requested by this proposal.

That being said, we understand that this is not a static or simple issue and would encourage the Company to continue to ensure that it is providing reporting and explicit oversight that is responsive to shareholders' needs and that allows them to understand how the Company is ensuring their interests are protected given the evolving nature of AI-related risks. At this time, we believe that this has been done. However, we will continue to monitor the Company's disclosures in this regard and may recommend in favor of future resolutions should it be clear that the Company's management or oversight of this issue has threatened shareholder value.

We recommend that shareholders vote **AGAINST** this proposal.

9.00: SHAREHOLDER PROPOSAL REGARDING REPORT ON PLASTIC PACKAGING

AGAINST

PROPOSAL REQUEST:	That the Company report on how it could address flexible plastic packaging	**SHAREHOLDER PROPONENT:**	As You Sow Foundation Fund, represented by As You Sow
BINDING/ADVISORY:	Precatory		
PRIOR YEAR VOTE RESULT (FOR):	28.6%	**REQUIRED TO APPROVE:**	Majority of votes cast

RECOMMENDATIONS, CONCERNS & SUMMARY OF REASONING:
AGAINST - Not in the best interests of shareholders

SASB MATERIALITY

PRIMARY SASB INDUSTRY: E-Commerce

FINANCIALLY MATERIAL TOPICS:

- *Hardware Infrastructure Energy & Water Management*
- *Employee Recruitment, Inclusion & Performance*
- *Data Privacy & Advertising Standards*
- *Data Security*
- *Product Packaging & Distribution*

GLASS LEWIS REASONING

- Given the Company's current disclosures and initiatives, we are unconvinced that adoption of this proposal would add meaningfully to shareholders' understanding of how the Company is addressing its risks related to plastics management.

PROPOSAL SUMMARY

Text of Resolution: RESOLVED: Shareholders request that the Board issue a report, at reasonable expense and excluding proprietary information, describing how Amazon could address flexible plastic packaging in alignment with the findings of the Pew Report, or other authoritative sources, to reduce its contribution to plastic pollution.

Supporting Statement: The report should, at board discretion:

- Assess the reputational, financial, and operational risks associated with continuing to use non-recyclable plastic packaging while plastic pollution grows;
- Evaluate actions to achieve fully recyclable packaging, including elimination and accelerated research into innovative reusable substitution; and
- Describe opportunities to pre-competitively work with peers to research and develop reusable packaging as an alternative to single-use packaging.

Proponent's Perspective

- Without immediate and sustained new commitments throughout the plastics value chain, annual flows of plastics into oceans could nearly triple by 2040;
- Corporations could face an annual financial risk of approximately $100 billion should governments require them to cover the waste management costs of packaging they produce, and governments around the world are increasingly enacting such policies, including five new state laws that impose fees on corporations for single-use plastic ("SUP") packaging;
- The EU has banned ten SUP pollutants and taxed some non-recycled plastic packaging, while a French law requires 10% of packaging to be reusable by 2027, and Portugal requires 30% reusable packaging by 2030;
- Consumer demand for sustainable packaging is increasing;
- The Pew Charitable Trusts' *Breaking the Plastic Wave* ("Pew Report"), concluded that improved recycling alone is insufficient to address plastic pollution and, instead, recycling must be coupled with reductions in use, materials redesign, and substitution;
- The Pew Report finds that the greatest opportunity to reduce or eliminate plastic lies with flexible plastic packaging, often used for

Board's Perspective

- The Company already publicly reports on the amount of single-use plastic, including flexible plastic, being used across its global operations network to ship orders to customers;
- The Company has continued to take steps to reduce single-use plastics in its outbound packaging, with its average plastic packaging weight per shipment decreasing by 9% in 2023 across its global operations network, building on the over 17% reduction achieved in 2022;
- Since 2020, the Company has avoided the use of 80,500 metric tons of plastic packaging globally;
- As of October 2024, the Company removed all plastic air pillows from its delivery packaging used at its global fulfillment centers, its biggest reduction in plastic packaging in North America to date, and as part of this transition, it was able to quickly expand its use of paper filler made from 100% recycled content across North America;
- In cases where it cannot eliminate the packaging materials altogether, the Company is exploring replacing plastics with existing alternative material options that are more readily recyclable today, such as paper-based packaging;
- The Company has retrofitted more than 120 of its automated

chips, sweets, and condiments among other uses, and virtually unrecyclable in the U.S.;
- With innovation, redesign, and substitution, 26 million metric tons of flexibles can be avoided globally;
- The Company markets more than 100 brands of consumer goods, food, and beverages, many of which are packaged in flexible plastic, and its Whole Foods subsidiary and Happy Belly brand sell numerous goods in flexible multi-layer packaging that cannot be routinely recycled;
- The Company's competitors, including Walmart and Target, have adopted goals to make plastic packaging recyclable, reusable, or compostable by 2025, while the Company has not; and
- The Company could avoid regulatory, environmental, and competitive risks by adopting a comprehensive approach to addressing flexible plastic packaging use at scale.

The proponent has filed an exempt solicitation urging support for this resolution

packing machines that made plastic bags to now create made-to-fit paper bags across the U.S., and it implemented this in more than 20 fulfillment centers, helping the Company avoid more than 130 million plastic bags this year;
- The Company has innovated and invested in technologies, processes, and materials that have helped reduce the weight of the packaging per shipment by 43% on average and avoided more than 3 million metric tons of packaging material since 2015;
- The Company is rapidly making progress to significantly reduce its use of single-use plastic, including flexible plastic packaging; and
- Whole Foods Market is currently working toward making 100% of its own packaging, including private label and in-store food service packaging, reusable, recyclable, or compostable.

THE PROPONENT

As You Sow

As You Sow is a non-profit advocacy organization that "harness[es] shareholder power to create lasting change by protecting human rights, reducing toxic waste, and aligning investments with values." As You Sow is not an investor, and, therefore, does not have any assets under management, but uses investors' holdings to file shareholder proposals to "drive companies toward a sustainable future." It states that, since 1992, it has "utilized shareholder advocacy to increase corporate responsibility on a broad range of environmental and social issues." Areas of focus for As You Sow include ocean plastics, toxic chocolate, the climate and social impacts of retirement funds, climate change, executive compensation, and antibiotics and factory farms, among others.

Based on the disclosure provided by companies concerning the identity of proponents, during the first half of 2024, As You Sow submitted 36 shareholder proposals that received an average of 18.1% support, with none of these proposals receiving majority shareholder support.

GLASS LEWIS ANALYSIS

In general, we believe it is prudent for management to assess its potential exposure to all risks, including environmental issues and regulations pertaining thereto in order to incorporate this information into its overall business risk profile. When there is no evidence of egregious or illegal conduct that might suggest poor oversight or management of environmental or social issues that may threaten shareholder value, Glass Lewis believes that the management and reporting of environmental issues associated with business operations are generally best left to management and the directors who can be held accountable for failure to address relevant risks on these issues when they face re-election.

Given the nature and scope of the Company's operations, it could be exposed to a wide range of environmental and social factors, including its use of plastic packaging, that could make it vulnerable to operational, legal, regulatory, or reputational risks.

BACKGROUND

Plastic Pollution and Marine Life

In recent years, the effects of ocean gyres, which act to funnel plastic pollution into high concentrations, have been increasingly scrutinized. The most notorious example is known as the Great Pacific Garbage Patch, which has recently been found to comprise an area roughly four times the size of California and is growing at an exponential rate (Livia Albeck-Ripka. "The 'Great Pacific Garbage Patch' Is Ballooning, 87,000 Tons of Plastic and Counting." *The New York Times*. March 22, 2018). Another recent study found that a similar phenomenon carries plastic, primarily from the North Atlantic, to the Greenland and Barents seas in the Arctic. Shrinking sea ice cover from climate change will lead to more navigation and human activity in the region, which is expected to further expand the spread of plastic pollution (Tatiana Schlossberg. "Trillions of Plastic Bits, Swept up by Current, Are Littering Arctic Waters." *The New York Times*. April 19, 2017). Plastic pollution has also been found in extreme ocean depths. One recent study reported plastic debris pollution in the deep-sea based on information from a database, launched in March 2017, which archives photographs and videos of debris collected since 1983 by deep-sea submersibles and remote-operated vehicles. Plastics were found to be ubiquitous even at depths of over 6000 meters, while 92% of them were single-use products (including bags, bottles, and packages). Single-use plastic was even found in the world's deepest ocean trench at 10,898 m (Chiba et al. "Human Footprint in the Abyss: 30 Year Records of Deep-Sea Plastic Debris." *Marine Policy*, Vol. 96, pp.204-212. April 6, 2018).

Plastic pollution is an especially critical issue afflicting marine life. It can be found across the marine ecosystem, including on coastlines, in Arctic sea ice, at the sea surface, and on the seafloor. When it breaks into smaller particles, plastics can be ingested by small marine invertebrates (Jenna R. Jambeck et al. "Plastic Waste Inputs from Land into the Ocean." *Science*. Vol. 347 (6223), p.768). Corals, one particular marine invertebrate group, have demonstrated a vulnerability to plastic pollution. Bacteria, including those varieties implicated in coral diseases, are particularly fond of marine plastics. In fact, researchers studying the issue found that about 90% of the time that coral was observed to be in contact with plastic, the coral was clearly diseased. Plastics are also heavier when carrying bacteria, making them more likely to sink and land on reefs. Apart from causing disease by direct contact with these bacteria, reef-bound plastics also drive coral diseases through other means. By blocking light, they make corals more susceptible to black band, a disease that thrives in darkness. Additionally, the landing impacts of plastics falling on reefs can also wound corals, increasing the potential for an infection to begin. Recent research found that of the six groups of coral diseases generally found on reefs, four prospered the most in plastic-contaminated corals, suggesting that the growth of those diseases is aided by plastic pollution (Veronique Greenwood. " Billions of Plastic Pieces Litter Coral in Asia and Australia." *The New York Times*. January 25, 2018).

Microplastics

“Microplastics,” defined as plastic pieces that are 5 millimeters or smaller, further expand the risk to marine life. Some plastic particles can be defined as microplastics as soon as they enter waterways, such as microbeads (used in cosmetics) and synthetic microfibers (shed from clothing during washing). They can also be formed when solar UV radiation degrades larger plastic pieces. According to NOAA, the quantity of microplastics in the ocean could increase 30-fold as larger debris, including containers, bottle caps, crates, and discarded commercial fishing gear, continues to degrade over time.

Microplastics have long been known to contaminate marine ecosystems, and research shows that microplastics can contain or absorb toxic chemicals, potentially presenting toxicological risks for organisms that ingest them. These microplastics and the chemicals they contain can also make their way up the food chain, and researchers have found microplastics in a variety of fish and shellfish that people consume. Plastic pollution does not fully biodegrade in the environment, making it particularly dangerous, and it has been found in a wide range of organisms and habitats, such as coral reefs, estuaries, beaches, and the deep sea. Further, because plastic does not decompose, it continues to accumulate in landfills and the environment.

Harmful chemicals from common additives can also leach out from plastics, including from flame retardants, antimicrobial agents, and antioxidants. These chemicals are known to cause harm to animal health, specifically in relation to hormone production, affecting reproduction (Dr. Jenna Jambeck. ‘Marine Plastics.” Smithsonian. April 2018). Chemicals that leach out of plastics may even be toxic to Prochlorococcus, a kind of ocean-going cyanobacteria that produces an estimated 20% of the world’s oxygen through photosynthesis. In a lab experiment, researchers observed that toxins leaching from plastic inhibit the growth and photosynthetic efficiency of the bacteria (Matt Simon. "Now Ocean Plastics Could Be Killing Oxygen-Making Bacteria." *Wired*. May 17, 2019).

Humans are also at risk of ingesting microplastics through seafood consumption. Because microplastics mainly accumulate in the gastrointestinal tract of animals, they can largely be avoided by degutting fish prior to consumption. Species that are eaten whole, such as sardines, anchovies, small freshwater fish, shrimp, mussels, and oysters, are more problematic because the entire gastrointestinal tract is consumed. While plastic is suspected to interact with the immune system, causing oxidative stress and changes to DNA, much remains unknown about the possible adverse human health effects from microplastic consumption. A 2022 WHO report noted that current technologies don’t enable researchers to quantify population-level microplastics exposures or gauge what proportion of those particles remain in people’s bodies. However, findings in models show that microplastics can create risks of inflammation, cell death, lung and liver effects, changes in the gut microbiome, and altered metabolism in humans. These risks and other preliminary findings from human cell and animal studies over the past decade, along with microplastics’ ubiquity in the environment, have led to calls for more research and regulation (Stephanie Dutchen. ‘Microplastics Everywhere: The Tiny Particles Are Even in Our Bodies. What Might This Mean for Our Health?” Harvard Medicine. Spring 2023).

NEW PLASTICS ECONOMY GLOBAL COMMITMENT

In collaboration with UN Environment, the Ellen MacArthur Foundation’s New Plastics Economy Global Commitment launched in October 2018 to unite organizations behind a common vision and a set of 2025 targets to address the plastic waste and pollution crisis. The global commitment has amassed over 500 signatories, including companies representing 20% of all plastic packaging produced globally. Recently, 123 businesses that produce, use, and recycle large volumes of plastic packaging (representing 92% of the business signatories eligible to report through the Ellen MacArthur Foundation) and 17 governments across five continents reported on progress against public targets to align to a circular economy vision for plastics (p.11).

PLASTIC POLLUTION AT THE COMPANY

In December 2020, Oceana, a nonprofit ocean advocacy organization, issued a report on the Company's plastic packaging, which estimates that the Company was responsible for 465 million pounds of plastic packaging waste in 2019. The Company says that figure is overblown by over 350%, meaning that it used more than 116 million pounds of plastic packaging in 2019. As more people shop online, the report expresses concern that a greater share of leftover packaging will end up in the ocean (Justine Calma. " Amazon Generates Millions of Pounds of Plastic Waste." *The Verge*. December 15, 2020).

According to the report, e-commerce plastic packaging becomes plastic waste immediately after a package is opened and almost all plastic waste is landfilled, burned, or enters and pollutes the environment including waterways and oceans. The Company's plastic footprint includes air pillows or bubble wrap to prevent products from moving within a package and plastic mailers or plastic-lined paper envelopes to ship smaller products. Further, Company packages may be double-packed, with the original product, already packaged, surrounded with plastic filling and an outer box. Further, the Company has prioritized the use of flexible, lightweight plastic packaging to meet its climate change targets. The Company's plastic packaging is referred to as “plastic film” in recycling terms, which has little to no value on the recycling market and is not accepted by most municipal recycling programs in the U.S., Canada, and the UK. Only 4% of post-consumer polyethylene plastic film, including bags and wraps, was recycled in the U.S. according to a 2017 industry report about film recycling. Oceana polled Amazon Prime customers in the U.S. and asked if they had followed the Company's recommendations for finding stores that will take their plastic packaging waste and found that less than 2% had actually made a special trip to bring their plastic packaging to the grocery stores for recycling (pp.4-5).

BREAKING THE PLASTIC WAVE REPORT

The proponent references a report entitled *Breaking the Plastic Wave: Top Findings for Preventing Plastic Pollution*, which was produced by the Pew Charitable Trust, a global NGO that seeks to "improve public policy, inform the public, and invigorate civic life." The report introduces a new model designed to quantify key plastic flows and stocks in the global plastic system, estimates the quantity of ocean plastic pollution expected under six scenarios between 2016 and 2040, and assesses the economic, environmental and social impacts of these scenarios. The report aims to provide "a new evidence base for decision-makers as they navigate their responses to this emerging global challenge, evaluate trade-offs, and implement solutions." The six scenarios introduced by this report are:

- ***Business-as-Usual***: Assumes that no intervention is made in relation to current plastic-related policy, economics, infrastructure, or materials, and that cultural norms and consumer behaviors do not change
- ***Current Commitments***: Assumes that all major commitments already made by the public and private sectors between 2016 and 2019 are implemented and enforced. These commitments include existing bans/levies on specific plastic products, and recycling and recyclability targets.
- ***Collect and Dispose***: Assumes an ambitious global expansion of collection services and increase in the global capacity of engineered and
managed landfills and incineration facilities
- ***Recycling***: Assumes an ambitious expansion and investment into collection, sorting, mechanical recycling, and plastic-to-plastic chemical conversion infrastructure.
- ***Reduce and Substitute***: Assumes a dramatic reduction of plastic use through elimination, ambitious introduction of reuse and new delivery models, and investment in plastic substitutes. This approach requires strong policy interventions to ban specific single-use plastics and incentivize design for reuse and reduce.
- ***System Change Scenario***: Assumes that eight system interventions are applied concurrently, and ambitiously, for both macroplastics and microplastics. This scenario benefits from the synergies between upstream and downstream interventions, and is the only one that includes both.

The report further states that implementing its recommended system interventions and transforming the plastics value chain will require collaborative action: "across the value chain, between public and private actors, between levels of governments, and across borders." It highlights actions that can be undertaken by governments, businesses, investors and financial institutions, civil society, and consumers. With respect to its recommendations for businesses, the report highlights a number of players in the industry, including plastic manufacturers and converters, waste management collectors, paper and compostable material manufacturers and brand owners, fast-moving consumer goods companies, and retailers. With respect to the latter category, which would apply to the Company, it states that these companies:

should lead the transition by committing to reduce at least one-third of plastic demand through elimination, reuse, and new delivery models; embracing product redesign and supply chain innovations; working across supply chains on sustainable sourcing, effective end-of-life recycling, and composting substitutes; and ensuring maximum recycled content and recyclability by creating products that are 100 per cent reusable, recyclable, or compostable.

REGULATORY RISKS

Extended Producer Responsibility Legislation

Extended Producer Responsibility ("EPR") is a policy approach under which producers are given a significant financial or physical responsibility for the treatment or disposal of post-consumer products, that aims to give producers an incentive to change product design in environmentally friendly ways, such as making products easier to reuse or recycle. In July 2021, Maine became the first U.S. state to pass an EPR packaging law, which requires corporations and manufacturers to help pay for the cost of recycling their packaging. In the following month, Oregon passed a similar law requiring producers of packaging, paper products, and food service ware to pay fees to support the improvement and expansion of recycling programs and infrastructure statewide (Adam Redling. " Oregon Becomes Second State to Pass Packaging EPR Law ." *Recycling Today*. August 6, 2021).

Colorado and California also recently passed EPR packaging laws in June and August of 2022, respectively, with the former establishing a statewide recycling system operated and funded by producers of packaging and printed paper. California's law goes further in its request, however, requiring companies to make all forms of single-use packaging recyclable or compostable, reduce all plastic packaging by 25%, and recycle 65% of all single-use plastic packaging, all by 2032. Additionally, plastic manufacturers must help mitigate costs associated with the impacts of plastics on health and the environment by paying an annual $500 million fee. Moreover, California's legislation applies to any entity that owns or is the licensee of the brand or trademark under which products are sold or otherwise distributed in the state, and as such, companies nationwide may be pushed to comply. Additionally, those who violate the law may face fines up to $50,000 per violation per day (Marissa McNees. " Colorado EPR Bill Signed into Law." *Recycling Today*. June 3, 2022; Rich Ehisen. "California Plastics Law Likely to Have National Impact." *LexisNexis*. August 19, 2022).

Maryland also enacted an EPR bill in May 2023, establishing an advisory council and requiring the Department of the Environment to approve a single producer responsibility organization to represent producers' interests by October 1, 2023. The bill also updated the definition of "organics recycling" regarding the processing of certain compostable packaging materials. Other states such as Washington, New Hampshire, and Hawaii introduced EPR bills in 2023 as well, though the bills in Washington and Hawaii stalled (Veronica Magan. "2023 Extended Producer Responsibility Policy Trends in the United States." FiscalNote. May 23, 2023). The Packaging Reduction and Recycling Infrastructure Act also stalled in the New York state legislature in June 2023, though it had unanimously passed the Senate Finance Committee (Christine Zhu. "Packaging Waste Bill Stalls as New York State Legislature Ends." *Bloomberg Law*. June 14, 2023).

European Taxes on Plastic Packaging

European countries have also begun implementing legislation to shift the societal costs of plastic packaging to manufacturers and corporations. In April 2022, a tax on the production and import of plastics for packaging went into effect for consumer packaged goods companies in the UK. The tax costs £200.00 per ton for plastic packaging made from less than 30% recycled material, and the initial reaction from affected companies has been to think about how they can adapt their packaging to avoid paying the tax. Similarly, the EU implemented a new plastic packaging levy, which is expected to encourage member states to reduce packaging waste and stimulate Europe's transition toward a circular economy. Spain and Italy had both planned to implement a plastic tax as well, but have recently postponed efforts (Arlene Karidis. " The UK Follows EU with Plastic Tax." *Waste 360*. March 25, 2022).

Additionally, in April 2024, the European Parliament adopted new binding targets for the reuse, collection, and recycling of packaging and outright bans on a range of disposable plastic wrappers, miniature bottles, and bags. Specifically, the Packaging and Packaging Waste Regulation ("PPWR") stipulates that the annual average of nearly 190kg of wrappers, boxes, bottles, cartons, and cans discarded generated annually by every EU citizen should be cut by 5% to 2030, 10% by 2035, and 15% by 2040. The law also sets re-use and recycling targets and mandates that nearly all packaging materials will have to be fully recyclable by 2030. It also introduces minimum recycled content targets for plastic packaging, minimum recycling targets by weight of packaging waste, and provides for a number of prohibitions targeting plastic waste to come into force in 2030 (Robert Hodgson. " MEPs Approve Law to Reduce Growing Stream of Packaging Waste ." *Euronews*. April 24, 2024).

In the UK, reporting requirements for EPR took effect for England, Northern Ireland, and Scotland on February 28, 2023, and firms supplying household packaging will be required to pay for collection and disposal costs when their packaging becomes waste. It is intended to encourage companies to reduce the amount of packaging they put into the market and to improve recyclability. Companies with more than £2 million in turnover and that handle more than 50 tons of packaging each year must report the amount and type of packaging they supply twice a year to the Environment Agency, with the first reports due October 1, 2023. Reporting for companies in Wales will come into effect soon. The shift of cost to collect and manage household packaging waste is estimated to be approximately £1.2 billion per year across all local authorities, once EPR is fully operational. The government will use the data it collects from companies to provide the basis for establishing packaging waste management fees for 2024.

The EU Waste Framework Directive also sets up a variety of requirements for EU countries, such as preparing for increases in re-use and recycling of municipal waste by at least 55% by 2025, 60% by 2030, and 65% by 2035. Specifically regarding packaging waste, by 2024, EU countries should ensure that producer responsibility schemes are established for all packaging, and they must also achieve 50% plastic recycling by 2025 and 55% by 2030, with targets for other packaging materials, as well.

In an effort to curb plastic pollution, the European Parliament also approved a 2030 ban on certain single-use plastic packaging in April 2024, including that used in fast food condiments, produce packaging, miniature cosmetic bottles, and thin plastic grocery bags. If approved by EU countries, the legislation would also require EU member states to collect at least 90% of single-use plastic bottles and cans through deposit return systems, starting in 2029, to ensure that more of those items are recycled. Further, take-out restaurants would have to allow customers to bring their own reusable containers from home, and drink distributors would have to ensure that 10% of their products come in reusable packaging from 2030, excluding wine. Countries such as Italy and Finland have worked to negotiate exemptions for their industries, and targets regarding wine, cardboard, and single-use paper packaging were removed from the legislation. Some industry groups were concerned that variation in how different EU countries implemented the legislation could cause complications across the EU market, both for businesses and for circular economy (Kate Abnett. " EU Parliament Backs Clampdown on Single-Use Plastic Packaging." *Reuters*. April 24, 2024).

COMPANY DISCLOSURE AND PEER COMPARISON

Company Disclosure

In its most recent Sustainability Report, the Company discusses its packaging, including its latest actions (pp.29-33). It shares progress on its goal to make device packaging 100% recyclable by 2023, stating that 90% of its device packaging for products launched in 2023 is recyclable in the U.S., up from 79% in 2022. It also reviews actions, including that: (i) 100% of outbound plastic delivery packaging, including plastic air pillows, was replaced with 100% household-recyclable paper filler at the Company's first U.S. automated fulfillment center in Euclid, Ohio; (ii) it had a 9% decrease in average single-use plastic packaging weight per shipment across the Company's global operations network compared to 2022; (iii) it had a 43% reduction in average per-shipment packaging weight in the U.S., Canada, and the EU since 2015, representing 3 million metric tons of packaging material avoided; (iv) it avoided over 80,000 metric tons of single-use plastic packaging globally since 2020; and (v) it replaced 99.7% of mixed-material mailers, which contain both plastic and paper, with recyclable paper alternatives in the U.S. and Canada; among other things (p.29). It also discloses the metric tons of packaging material eliminated in 2023 in Europe, the U.S. and Canada, and India (p.32).

Regarding flexible packaging, the Company states that lighter, more flexible, and right-sized packaging helps reduce delivery emissions per package by using less material and taking up less space in delivery vehicles. It also notes that since 2015, it has reduced the average per-shipment packaging weight by 43% and avoided more than 3 million metric tons of packaging, including more than 446,000 metric tons in 2023 alone. The Company adds that globally, it shipped 12% of products in their own packaging in 2023, providing a better customer experience by minimizing the packaging materials used for delivery and avoiding incremental carbon emissions associated with additional materials and weight (p.12). It also discloses the percentage of delivery packaging by region for Europe, the U.S. and Canada, and India, with percentages for flexible packaging, corrugated boxes, and items shipped in product packaging (p.30). It then reiterates that it aims to increase the number of products that ship in the manufacturer's original packaging without additional packaging, as well as to select lighter, right-sized options to reduce its packaging footprint. For 2023, 50% of its delivery packaging was made up of flexible packaging (both padded and unpadded, and in the U.S., these flexible options are up to 89% lighter than similar-sized rigid corrugated boxes. It also affirms that it uses machine learning algorithms to determine the most efficient option for each order it fulfills (p.31).

The Company also discusses phasing out single-use plastics and using more recyclable packaging, again noting that it leverages AI to identify where it can use lighter, more flexible, right-sized packaging, replacing single-use plastic delivery packaging with 100% household recyclable paper and cardboard packaging in its fulfillment network in Europe, and eliminating single-use, thin-film plastic packaging from its fulfillment network in India. The Company states that in June 2024, it announced removing 95% of plastic air pillows from delivery packaging in North America, working toward full removal by the end of the year, to avoid nearly 15 billion plastic air pillows annually, making it the Company's largest plastic packaging reduction effort in North America to date. It also explains that in 2023, it expanded its use of household recyclable paper-padded bags across the U.S. and Canada, replacing 99.7% of padded bags containing both plastic and paper, helping to avoid nearly 41,6000 metric tons of single-use plastic since 2020 (p.32).

Additionally, the Company discusses partnering for circularity and details expanding its collaboration with the Ellen MacArthur Foundation to drive scalable, industry-wide solutions for a circular economy (p.39). It also maintains a partnership with the Sustainable Packaging Coalition to improve recycling infrastructure, and it works with The Recycling Partnership to launch recycling programs across the U.S. (p.33).

In its response to this proposal, the Company states that Whole Foods is currently working toward making 100% of its own packaging, including private label and in-store food service packaging, reusable, recyclable, or compostable (2025 DEF 14A, p.49).

The Company discusses packaging innovation on its website. It also discusses the development of its recyclable paper mailer announced in November 2019. It further describes its Ships in Product Packaging program, which reduces packaging by certifying products that can ship safely without a Company box, envelope, or bag. The Company explains that it systematically tests products to ensure that they can ship safely without a Company box or bag. Further, it adds that since 2015, the Company has reduced the average packaging weight per shipment by more than 41% and avoided over 2 million tons of packaging. The Company includes information on its partnerships, as well as machine learning to optimize packaging selection.

For customers, it provides information on recycling Company devices as well as on recycling each different type of its packaging. Regarding its plastic film produce bags, the Company states that some cities offer curbside recycling and that, where not available, customers should use designated store drop-off locations where plastic film is accepted. The Company further links to a database of such locations.

Regarding board oversight, the nominating and corporate governance committee oversees and monitors the Company's environmental and sustainability policies and initiatives, including the Company's progress on The Climate Pledge, and risks related to the Company's operations, supply chain, and customer engagement. It also oversees and monitors the Company's policies and initiatives relating to corporate social responsibility, including ethical business practices and risks related to the Company's operations and engagement with customers, suppliers, and communities.

Peer Comparison

Although we believe that Alphabet and Meta are appropriate peers for most purposes, given they are primarily technically technology companies, we understand that comparing their plastic packaging initiatives would not provide the appropriate context for this issue given the Company, unlike its peers, is also a large retailer. We believe that potentially more appropriate comparisons are Walmart Inc. and Target. The proponent elaborates that peers Target and Walmart have adopted goals to make plastic packaging recyclable, reusable, or compostable by 2025, while the Company has not.

To compare, **Walmart Inc.** (NYSE: WMT) discusses its circular economy initiatives, including its 2025 goals, which include:

- Achieving 20% private-brand plastic packaging in North America made from post-consumer recycled content;
- Achieving 17% global private-brand plastic packaging made from post-consumer recycled content;
- Making 100% of global private-brand packaging recyclable, reusable, or industrially compostable; and
- Reducing virgin plastic in global private-brand packaging 15% versus a 2020 baseline.

Walmart discloses that it has achieved 7%, 7%, 58%, and 3% of the aforementioned goals, respectively, and states that while it has made significant progress towards its ambitious 2025 goals for recycled content, virgin plastic reduction, and packaging recyclability, it expects to fall short of achieving these goals by 2025. However, it affirms that it will continue to report progress on its ongoing efforts, as these initiatives help the firm reduce materials cost and waste, conserve resources, enhance efficiencies, and reduce emissions.

Regarding secondary packaging, Walmart provides information for: (i) cardboard, break pack boxes, reusable packaging; (ii) rigid plastics, films/shrink wrap; and (iii) mixed recycle bales and films bales. It states that in 2023, its vendor partners reported that Walmart recycled 280 million pounds of plastic film and rigid plastic globally. It adds that in its supply chain facilities (e.g., distribution centers), it generates plastic film-only bales for recycling by collecting B2B pallet packaging (e.g., shrink wrap).

Regarding board oversight, the nominating and governance committee reviews and advises management regarding the firm's social, community, and sustainability initiatives, and the firm's strategy for public disclosure and reporting on ESG and related issues, including those related to climate change.

To further compare, **Target Corporation** (NYSE: TGT) maintains a goal to reduce the total volume of virgin plastic packaging by 20% in owned brand food and beverage and essentials and beauty businesses, measured against its total plastic packaging baseline in these categories in 2020. Additionally, it affirms that it is exploring reuse and refill alternatives, which includes its commitment to explore at least five reuse programs to reduce or eliminate single-use plastics by 2025. It then discusses launching two such pilots in 2022. Target also asserts that it aims to increase the use of post-consumer recycled content ("PCR") in its owned brand packaging to 20% by 2025, adding that in FY2023, it maintained its use of 15% PCR in its owned brand packaging.

The firm discusses assessing and redesigning owned brand product packaging for circularity, and states that its engineering team considers and prioritizes the following:

- Designing for recycling;
- Designing for refill and reuse;
- Eliminating problematic and unnecessary plastics;

- Increasing PCR; and
- Reducing and eliminating packaging.

It also plans for 100% of its owned brand products to be designed for a circular future by 2040, and it currently has two brands identified to be designed for a circular future (Universal Thread and Everspring) by 2025, and it has trained 3,399 vendors on circular design since 2018. Target further addresses circularity and product and packaging design in its latest Sustainability and Governance Report, and provides circularity metrics, including total weight of plastic packaging and recycled content, among other categories, in its 2024 metrics.

Regarding oversight, the governance and sustainability committee oversees the firm's overall approach to ESG and corporate responsibility matters, including: (i) alignment of such efforts with the firm's strategy; (ii) identification of the ESG-related topics that are most relevant and important to Target and any goals or aspirations related thereto; (iii) the firm's environmental stewardship practices; (iv) and external reporting on ESG and corporate responsibility matters, among other things.

Summary	
GRI/SASB-Indicated Sustainability Disclosure	SASB (pp.3-19)
Peer Comparison	The Company and its peers provide relatively comparable disclosures concerning their use of plastics and sustainable packaging efforts. While Walmart and Target maintain goals to make plastic packaging recyclable, reusable, or compostable by 2025, Walmart affirms that it expects to fall short of achieving its goals.
Analyst Note	The Company has provided meaningful and detailed disclosure concerning its packaging-related initiatives and policies. We also note that Whole Foods Market is currently working toward making 100% of its own packaging, including private label and in-store food service packaging, reusable, recyclable, or compostable.

RECOMMENDATION

We understand the larger environmental risks stemming from plastic pollution and believe that it is important that companies make an effort to ensure that they are mitigating their contribution to this pollution to the best extent possible. However, in this case, we believe that the Company has taken significant actions and provided substantial disclosure concerning minimizing its plastic footprint, its improvements to the sustainability of its packaging, and its recycling initiatives. The Company has also engaged with the vendors who sell on its platform to ship their products in 100% recyclable packaging and eliminate excess boxes. It has also developed a number of partnerships to reduce its waste, including with the Sustainable Packaging Coalition and the Ellen MacArthur Foundation.

This past year, the Company continued to show responsiveness to the issue of sustainability in its packaging through a variety of initiatives. For example, as of October 2024, it removed all plastic air pillows from its delivery packaging used at its global fulfillment centers, its biggest reduction in plastic packaging in North America to date. It also retrofitted more than 120 of its automated packing machines that made plastic bags to now create made-to-fit paper bags across the U.S., and it implemented this in more than 20 fulfillment centers, helping the Company avoid more than 130 million plastic bags this year. We also note that Whole Foods Market is currently working toward making 100% of its own packaging, including private label and in-store food service packaging, reusable, recyclable, or compostable. Further, in cases where it cannot eliminate the packaging materials altogether, the Company is exploring replacing plastics with existing alternative material options that are more readily recyclable today, such as paper-based packaging.

Given this disclosure and these initiatives, we are unconvinced that providing the requested report would be an especially prudent use of resources, nor do we believe that shareholders lack an understanding of how the Company is managing this issue. Further, much of the plastic attributable to all the Company's operations is out of its own direct control. The Company has taken steps to assist its manufacturers in reducing, if not eliminating, the use of plastic in the products sold on its website and it provides significant disclosure to that effect.

Given the Company's current disclosures and initiatives, we are unconvinced that adoption of this proposal would add meaningfully to shareholders' understanding of how the Company is addressing the issue of plastic waste. We will continue to monitor the Company's performance and disclosure with regard to this issue and may revise our recommendations on future proposals if the Company appears to be managing this issue in a way that presents a clear risk to shareholder value. However, we do not believe support for this proposal is warranted at this time.

We recommend that shareholders vote **AGAINST** this proposal.

10.00: SHAREHOLDER PROPOSAL REGARDING REPORT ON WORKING CONDITIONS

FOR

PROPOSAL REQUEST:	That the Company commission an independent audit and report of its warehouse working conditions	**SHAREHOLDER PROPONENT:**	Tulipshare Fund 1 LP, represented by Tulipshare Capital LLC
BINDING/ADVISORY:	Precatory		
PRIOR YEAR VOTE RESULT (FOR):	31.2%	**REQUIRED TO APPROVE:**	Majority of votes cast

RECOMMENDATIONS, CONCERNS & SUMMARY OF REASONING:

FOR -
- Additional, independent scrutiny on the Company's working conditions is warranted

SASB MATERIALITY

PRIMARY SASB INDUSTRY: E-Commerce

FINANCIALLY MATERIAL TOPICS:

- *Hardware Infrastructure Energy & Water Management*
- *Employee Recruitment, Inclusion & Performance*
- *Data Privacy & Advertising Standards*
- *Data Security*
- *Product Packaging & Distribution*

GLASS LEWIS REASONING

- In light of troubling reports and allegations concerning the Company's working conditions, and the legal, reputational and regulatory ramifications of such reports, we believe that additional, independent scrutiny on this matter is warranted. .

PROPOSAL SUMMARY

Text of Resolution: *RESOLVED: Shareholders request that the Board commission an independent audit and report of the working conditions and treatment that Amazon warehouse workers face, including the impact of its policies, management, performance metrics, and targets. This audit and report should be prepared at reasonable cost and omit proprietary information.*

Proponent's Perspective

- Investigative reports suggest Company employees get injured more frequently and severely than elsewhere in the industry;
- Workers are closely monitored and state they must break safety rules to meet mandated work pace and quotas under threat of termination;
- Numerous state laws target the Company's use of productivity quotas that can prevent workers from complying with safety guidelines or recovering from strenuous activity, leaving them at high risk of injury and illness;
- Claims that the Company's injury rates are "about average" relative to peers are misleading, since the Company is included in the warehouse industry average, driving that figure up;
- In 2023, the Company employed 35% of all American warehouse workers and was responsible for 53% of all serious industry-wide injuries;
- The Company accounts for 79% of employment among warehouses with at least 1,000 workers, but 86% of all injuries in that category;
- A congressional report clarified that although many Company warehouses employ fewer than 1,000, the Company compares its warehouses of all sizes to the average for only warehouses with 1,000-plus employees, making injury rates appear lower;
- The Senate alleges that the Company rejected warehouse safety recommendations due to productivity concerns;
- The Company's 2023 injury rate was "more than one and a half times that of TJX and almost triple that of Walmart, the two comparable U.S. warehouse employers";
- The Company's recently reported Occupational Safety and Health Administration data not only demonstrates workers experience a

Board's Perspective

- As reinforced in its most recent safety reporting for 2024, the Company's goal is to be the global benchmark for safety excellence across all industries in which it operates;
- The audit requested by this proposal would be duplicative because the Company already publicly disclosed its workforce incident rates compared with industry data and it is already subject to extensive regulatory oversight and review;
- From 2019 to 2024, the Company's worldwide recordable incident rate ("RIR") improved by 34% and its worldwide lost time incident rate ("LTIR") improved by 65%, while, from 2023 to 2024, its worldwide RIR improved by 6% and its worldwide LTIR improved by 13%;
- The Company's performance metrics demonstrate that it has made meaningful and measurable progress since 2019, and it is committed to continuing these trends;
- This proposal continues to rely on false, misinformed, and misleading claims about the Company's injury rates made by outside groups with ulterior motives, given that it cites a report issued by the Senate Health, Education, Labor and Pension Committee, when previously chaired by Sen. Bernie Sanders, but that report is wrong on the facts and features selective, outdated information that lacks context and is not grounded in reality;
- The main premise of the report from the Senate Health, Education, Labor and Pension Committee as encapsulated in its title, "The 'Injury-Productivity Trade-off': How Amazon's Obsession with Speed Creates Uniquely Dangerous Warehouses," is fundamentally flawed, since over the last five years the Company has increased its delivery speeds while decreasing the injury rates across its network;

disproportionate share of industry-wide injuries but also shows 95% of injuries reported require workers to take time-off for recovery or change job duties;
- Data analysis shows that year-over-year the Company "has not made meaningful progress on its goals and is not realistically on track to cut its injury rates by 50%—or to become a safer employer than its peers"; and
- According to analysis of the Company's own injury data: in 2020, the last full year of injury data before the Company announced its goal of reducing its injury rate by 50%, its overall injury rate was 6.6 per 100 workers, and its overall injury rate in 2023 was 6.5 injuries per 100 workers, amounting to an overall reduction of less than 2% in three years and falling short of the Company's target of cutting its total injury rate in half by 2025.
- In contrast to what this proposal suggests, the Company does not require employees to meet specific, fixed productivity quotas;
- The board, including through the leadership development and compensation committee, has direct oversight of employee well-being and workplace safety, and regularly reviews these matters; and
- Following last year's annual meeting, the Company offered to meet with the representative for this proposal in-person to discuss the Company's work in enhancing workplace safety, but they did not respond to the Company's offer, and rather than engaging with it on the topic, the representative resubmitted the proposal.

THE PROPONENT

Tulipshare Limited

Tulipshare, founded in 2021, is an investment platform where users (generally retail investors) are able to "pledge their shares" and demonstrate an interest in a variety of its campaigns. Tulipshare is not an investor, and, therefore, has no AUM. It explains that through strategic meetings with company boards and their ESG or legal teams, it actively advocates for change and drive conversations that go beyond tradition ESG considerations. Tulipshare states that it seeks to "help like-minded investors use their money to push for stronger environmental and social commitments, using corporate governance to create positive ethical impact, ensuring the companies [it invests its] money in are being responsibly managed by accountable leadership."

Based on the disclosure provided by companies concerning the identity of proponents, during the first half of 2024, Tulipshare submitted three shareholder proposals that received 21.3% support (excluding abstentions and broker non-votes), with no proposals receiving majority support.

Company Engagement with the Proponent

In its response to this proposal, the Company states:

> *Following last year's annual meeting, we offered to meet with the representative for this proposal in-person to discuss our work in enhancing workplace safety, but they did not respond to our offer; rather than engaging with us on the topic, the representative resubmitted the proposal.*

GLASS LEWIS ANALYSIS

In general, we believe it is prudent for management to assess its potential exposure to all risks, including environmental and social concerns and regulations pertaining thereto in order to incorporate this information into its overall business risk profile. When there is no evidence of egregious or illegal conduct that might suggest poor oversight or management of environmental or social issues that may threaten shareholder value, Glass Lewis believes that management and reporting of environmental and social issues associated with business operations are generally best left to management and the directors who can be held accountable for failure to address relevant risks on these issues when they face re-election.

HUMAN CAPITAL MANAGEMENT DISCLOSURE

In recent years, a number of investors have been pushing companies to disclose more information concerning how they are managing issues related to their human capital. For example, in July 2017, the Human Capital Management Coalition ("HCM Coalition"), a group of institutional investors with over $4 trillion in assets, petitioned the SEC requesting that it adopt new rules or amend existing rules that would require issuers to disclose information about their human capital management policies, practices, and performance. The HCM Coalition cited "a large body of empirical work" that has shown that skillful management of human capital "is associated with better corporate performance, including better risk mitigation" and stated that effective human capital management was "essential to long-term value creation and therefore material to evaluating a company's prospects." The HCM Coalition also supported the SEC Investor Advisory Committee's March 2019 recommendation that the SEC consider requiring HCM disclosure from issuers.

On August 8, 2019, the SEC issued a proposed rule which, in part, recognized the business relevance of human capital management reporting. Under the proposed rule, human capital management would be added as a disclosure topic, given specified guidelines regarding materiality. In response, the HCM Coalition provided a final comment submission on the proposed rule.

On August 26, 2020, the SEC formally adopted amendments to disclosure requirements under Regulation S-K. These included the requirement that issuers disclose, to the extent such disclosure is material to an understanding of a company's business, a description of human capital resources, including any human capital measures or objectives that the company focuses on in managing the business. The amendments provide non-exclusive examples of human capital measures and objectives that address the attraction, development, and retention of personnel that may be material, depending on the nature of a company's business and workforce. However, the SEC specifically noted that these examples were only provided as potentially relevant subjects, rather than mandates, and that each company's disclosure must be tailored to its unique business, workforce, facts, and circumstances. The SEC also reiterated that the principles-based approach affords companies the flexibility to tailor their disclosures, including allowing them to provide disclosure in accordance with a standard or framework that facilities human capital resource disclosure (Era Anagnosti et. al. " SEC Adopts Amendments to Modernize Disclosures and Adds Human Capital Resources as a Disclosure Topic: Key Action Items and Considerations for U.S. Public Companies ." White & Case. September 2020).

Further, in December 2018, the International Organization for Standardization ("ISO") published a standard for human capital reporting, which provides guidelines on core human capital reporting areas, such as (i) diversity; (ii) recruitment, mobility and turnover; and (iii) organizational culture. In addition to the ISO standard, there are also efforts by the Global Reporting Initiative and the International Integrated Reporting Council to increase the disclosure available concerning companies' management of human capital issues (David McCann. "Investors to SEC: Mandate People Disclosures." *CFO.com*. July 20, 2017).

For more information concerning the topic of human capital management, including the value of reporting on this issue, and trends and frameworks for reporting on human capital management, please see Glass Lewis' *In-Depth: Human Capital Management*.

HEALTH AND SAFETY ISSUES AT THE COMPANY

The Company has faced scrutiny and exposure to a variety of risks on account of its worker health and safety. For example, in 2021, an analysis of work-related injury data from the Occupational Safety and Health Administration ("OSHA") showed that the Company's warehouse jobs can be more dangerous than comparable warehouses, as the Company has reported a higher rate of serious injury incidents that caused employees to miss or shift work duties than other retail warehouses since 2017. In 2020, for every 200,000 hours, the Company reported 5.9 serious incidents, which is nearly double the rate of other warehouses. Although the OSHA data did not provide causes for the incidents, some former OSHA officials, union representatives, and workers blame productivity pressures at the Company, as it requires many of its warehouse staff to meet hourly rates for stowing, picking, and packing items. The Company responded by stating that it does not set unreasonable performance goals (Jay Greene, Chris Alcantara. " Amazon Warehouse Workers Suffer Serious Injuries at Higher Rates Than Other Firms." *The Washington Post*. June 1, 2021).

Moreover, a 2019 investigation revealed numerous cases where Company workers were left to suffer after sustaining workplace injuries, leaving them without income, unable to work, and fighting for months to receive benefits and medical care (Michael Sainato. " Revealed: Amazon Employees Are Left to Suffer After Workplace Injuries." *The Guardian*. April 2, 2019). That same year, the National Council for Occupational Safety and Health announced its annual "dirty dozen" unsafe employers to highlight companies that put workers and communities at risk due to unsafe practices, citing the Company for its high injury rates and warehouse employee deaths. Six workers from the Company's Bessemer, Alabama facility have died since it opened in 2020. One worker, who passed in 2021, asked HR to leave early because he was not feeling well, but was told to return to work because he did not have enough unpaid time off credits. A similar incident occurred at the Company's Staten Island warehouse in 2019, when an employee suffered a fatal heart attack at work. A human resources representative informed the employee's family that he had lain on the floor for 20 minutes before receiving treatment (Michael Sainato. "'Go Back to Work': Outcry Over Deaths on Amazon's Warehouse Floor." *The Guardian*. October 18, 2019).

In November 2020, Christian Smalls, a warehouse employee, filed a class action lawsuit alleging that the Company failed to provide personal protective equipment to Black and Latinx workers during the COVID-19 pandemic. The employee was terminated earlier in the year after organizing a walkout at one of the Company's fulfillment centers in Staten Island, in response to which, the New York Attorney General opened an investigation into whether the Company violated federal worker safety laws and whistleblower protections. The employee's termination galvanized other workers who formed an international organization to change the Company's warehouses (Megan Rose Dickey. "Amazon Faces Lawsuit Alleging Failure to Provide Ppe to Workers During Pandemic." *TechCrunch*. November 12, 2020). Mr. Smalls went on to organize unionization efforts at this warehouse. For more information on this matter, please see our analysis of Proposal 13.

In February 2021, the New York Attorney General sued the Company, alleging that its "flagrant disregard for health and safety requirements" during the COVID-19 pandemic put the lives of workers and the general public at risk. The Company was accused of poor cleaning and contact tracing at a Queens distribution center and a Staten Island fulfillment center, where a worker died from the virus (Jaclyn Diaz. "New York Sues Amazon Over COVID-19 Workplace Safety." *NPR*. February 17, 2021).

In November 2021, the Company agreed to pay a $500,000 settlement after California's Attorney General claimed it concealed COVID-19 case numbers from its warehouse workers. As part of the settlement, the Company also agreed to notify warehouse workers within one day of new COVID cases, and to provide the exact number of cases in their workplace (Annie Palmer. "Amazon Settles With California Over Claims It Concealed COVID-19 Cases From Warehouse Workers." *CNBC*. November 15, 2021).

Also in 2021, reports surfaced of Company delivery drivers urinating in bottles due to pressure to meet quotas. The Company initially responded via Twitter, denying the allegations. The Company apologized after journalists weighed in on the issue, providing memos and policies to support the claims, and admitted that its drivers can and do have trouble finding restrooms, but it argued that this was an industry-wide problem (Hannah Knowles. "Amazon Admits It Was Wrong to Suggest Its Workforce Never Needs to Pee in Bottles on the Job." *The Washington Post*. April 3, 2021).

In March 2022, the Washington State Labor Department fined the Company $60,000 for violating workplace safety laws by requiring warehouse employees to perform repetitive motions at a fast pace, increasing their risk of injury. Moreover, the department said that the violations were willful and subject to higher fines given that the Company had already had similar citations at three other warehouses in the state. The Company is appealing the fines (Daniel Wiessner. " Wash. Agency Says Amazon Willfully Violated Safety Laws at Warehouse." *Reuters*. March 21, 2022).

The Company's CEO stated in a letter to shareholders regarding criticism over the Company's high injury rate that its injury rate is "sometimes misunderstood" and that lowering the rate is complicated and incremental. An examination of the data, however, suggested that the CEO used misleading statistics to convey this message to shareholders and that the data from the Company actually shows a 20% increase in injury rate from 2020 to 2021. When comparing the Company's injury rate to those at other non-Company warehouses in the U.S., the data shows that the Company's employees are twice as likely on average to get hurt on the job as other warehouse workers in the U.S. The Company did not respond to questions about its injury rate data (Katherine Long. "Amazon CEO Andy Jassy Says the Company's Injury Rate is 'Misunderstood.' We Found It's Higher than He Says." *Business Insider*. April 14, 2022). A coalition of four labor unions (Service Employees International Union, International Brotherhood of Teamsters, Communications Workers of America, and United Farmworkers of America) working as the Strategic Organizing Center released a similar but more detailed report in April 2022 on how the Company's production system hurts workers, examining annual injury rates by type at the Company from 2017 to 2021. A follow-up report provides a similar analysis of the Company's injury data from 2022, stating that the Company's operations continue to be dramatically more dangerous for workers than the rest of the warehouse industry (pp.2-3). The latest report from the Strategic Organizing Center examines 2023 data and states that the Company "has not made meaningful progress on its goals and is not realistically on track to cut its injury rates by 50 percent"; it also notes that the Company's injury levels in 2023 spiked by as much as 59% around its peak operational periods including Prime Days and the holiday shopping season kickoff in November (pp.3-4).

There could be regulations addressing some of the concerns raised in these reports. For example, New York State passed a bill in the summer of 2022 requiring companies to disclose productivity quotas for warehouse workers, as well as to notify them of any changes to their expectations. The bill also stipulates that companies cannot impose quotas that keep workers from taking meal, rest, or bathroom breaks. The legislation was aimed at the Company, whose Staten Island warehouse has experienced complaints related to working conditions. The Company responded that it does not have quotas and that the Company is committed to ensuring that performance expectations and safety operations can coexist. California signed a similar bill into law in September, and Washington and New Hampshire introduced bills that target warehouse productivity quotas. (Annie Palmer. " New York Lawmakers Pass Bill Limiting Amazon's Use of Worker Productivity Quotas in Warehouses." *CNBC*. June 3, 2022).

In the summer of 2023, Senator Bernie Sanders began an investigation into the Company's working conditions, which also carried the potential for high-profile hearings on the matter. Sanders, the chair of the Senate's committee dealing with labor laws, stated that the Company has been endangering its workers in a variety of ways, including by requiring them to do heavy lifting, engage in repetitive movements without the appropriate breaks, and navigate narrow warehouse aisles. A Company spokesperson defended the Company's safety record, while Sanders' committee set up a webpage for Company employees to make confidential reports regarding safety issues (Laura Litvan. "Bernie Sanders Launches Senate Probe into Amazon Workplace Safety." *Bloomberg*. June 20, 2023).

The Company disputes many of the proponent's statements regarding its safety metrics in its statement of opposition to this proposal. However, labor advocacy groups have similarly disagreed with how the Company measures worker safety. They contend that despite a decline in the Company's warehouse injury rate in 2023, workers are still at a dangerously high risk of injury. Moreover, critics allege that it is misleading to say that the Company's injury rates are in line with (or are lower than) its industry peers because the Company is so large. For example, when removing the Company from the analysis, the average injury rate for warehouses with more than 1,000 workers would decrease from 6.8 to 3.6, which indicates that the Company's injury rate is significantly above the industry average (Lauren Rosenblatt. "Amazon Reports 'Measurable Progress' on Worker Safety; Critics Object." *The Seattle Times*. March 15, 2024).

In December 2024, the Senate Committee on Health, Education, Labor, and Pensions issued its final report into the Company's warehouse safety practices and noted that at least two internal Company studies found a link between the time it takes its employees to perform tasks and workplace injuries, and that the Company rejected many safety recommendations out of concern the proposed changes could reduce productivity. The report was the final product of the probe initiated by Senator Sanders in 2023, and was based on interviews with nearly 500 former and current Company employees, as well as internal studies the Senate committee received from the Company. In response to the publication of the report, the Company stated in a blog post that Senator Sanders continued to "mislead the American public" on the Company's safety practices, adding that the report was "wrong on the facts and feature[d] selective, outdated information that lack[ed] context and [wasn't] grounded in reality." Although the Company said it provided "thousands of pages of information and data" to the committee, the majority staff said the Company failed to produce documents regarding the relationship between the pace of work and injury rates. The final report followed an interim report the Senate committee released the previous July, which featured some of the same findings (Haleluya Hadero. "Senate Report Alleges Amazon Rejected Warehouse Safety Recommendations Due to Productivity Concerns." *AP News*. December 16, 2024).

Days after the Senate report was published, the Company agreed to implement safety measures at all of its U.S. facilities as part of a settlement regarding OSHA complaints involving ten Company facilities across the U.S. The safety measures adopted by the Company included adjustable height workstations, ergonomic mats, harnesses, and job rotations at all of its fulfillment, sorting, and delivery centers. It also established a process to review and correct hazards identified by workers. In addition, the Company agreed to pay $145,000 in penalties, which was about 90% of what OSHA sought in the underlying cases. The director of OSHA stated that the settlement would affect hundreds of thousands of the Company's workers. OSHA further noted that the settlement did not affect a separate investigation in New York by federal prosecutors regarding the Company's alleged concealment of injury rates and worker safety hazards at U.S. warehouses. Meanwhile, the same day as the settlement, workers at seven of the Company's U.S. facilities walked off the job over what they allege was the Company's unfair treatment of its employees (Daniel Wiessner. " Amazon Agrees to Worker Safety Measures to Settle US Probe ." *Reuters*. December 19, 2024).

However, in response to allegations of unsafe working conditions, the Company stated that it does not impose pacing quotas and that it has invested more than $1 billion in worker safety (Daniel Wiessner. "Amazon Agrees to Worker Safety Measures to Settle US Probe ." *Reuters*. December 19, 2024).

COMPANY DISCLOSURE

The Company provides a March 2025 report on its safety, health, and well-being efforts, in which it discusses evaluating its safety performance; understanding its operations and workforce; auditing and inspecting its sites; investing in safety improvements; working with operations partners; and looking ahead. It states that for global operations, its recordable incident rate ("RIR") has improved by 34% over the past five years and over 6% year over year, while its lost time incident rate ("LTIR") has improved 65% over the past five years and 13% year over year.

For its U.S. operations, the Company states that in the General Warehousing and Storage industry, its RIR improved 27% over the past five years and 5% year over year. The Company then states that the LTIR for General Warehousing and Storage improved 79% over the past five years and 9% year over year.

For the Courier and Express Delivery Services industry, the Company states that its RIR improved 50% over the past five years and 16% year over year. Additionally, for the same industry, the Company states that its LTIR improved 74% over the past five years and 25% year over year.

The Company discusses more than doubling its operations network globally since 2019, to more than 1 million employees across more than 2,500 sites across the world. Further, the Company states that it has invested more than $2 billion since 2019 in its safety efforts, including new technologies and programs to protect its employees. It also explains that it has allocated hundreds of millions of dollars in 2025 alone to invest in technologies, resources, training, and programs to further its safety efforts.

Regarding auditing and inspecting its sites, the Company states that in 2024, it conducted 7.8 million inspections globally, a 24% increase from the 6.3 million conducted in 2023, and it audited 331 sites across the Company. It also states that over the past five years, the rate of musculoskeletal disorder ("MSD") RIRs improved 32%, but they still make up about 57% of all recordable injuries at the Company.

Regarding investing in safety improvements, it retrofitted its sites across its operations network with adjustable height workstations and carts, implementing its ErgoPick technology to ensure employees pick packages within their ergonomic power zone. It also increased the use of robotics in its warehouses to handle the repetitive tasks and heavy lifting that can lead to MSDs.

Additionally, the Company explains that all Company-branded vans are equipped with camera-based technology that helps monitor safe driving behaviors and the system provides real-time feedback on key safety behaviors including speed control, maintaining focus, proper seat belt use, and adherence to road signs. It notes that if unsafe behaviors are detected, drivers receive coaching notifications during their delivery stop, and if the behavior does not improve, the driver's employer, the delivery service partners, are notified so they can further coach the driver.

The Company also discusses employee safety, health, and well-being on its website, stating that since 2019, it invested $1 billion in safety initiatives, technologies, and programs. The Company also discusses its WorkingWell program, which educates employees about health and wellness.

In its code of conduct, the Company states that it provides a clean, safe, and healthy work environment, and each employee has responsibility for maintaining a safe and healthy workplace by following safety and health rules and practices and reporting accidents, injuries and unsafe conditions, procedures, or behaviors. The Company also discusses safety in its modern slavery statement and supply chain standards.

Regarding oversight of this issue, the leadership development and compensation committee oversees and monitors the Company's strategies and policies related to human capital management within the Company's workforce, including with respect to policies on diversity and inclusion, workplace environment and safety, and corporate culture. The nominating and corporate governance committee oversees and monitors the Company's policies and initiatives relating to corporate social responsibility, including human rights and ethical business practices, and risks related to the Company's operations and engagement with customers, suppliers, and communities, other than with respect to human capital management matters.

Summary	
Analyst Note	We are concerned about the numerous allegations of worker health and safety issues at the Company, and we believe shareholders would benefit from an additional, independent review of how the Company is managing such risks.

RECOMMENDATION

We have a number of very significant concerns with regard to the Company's record of worker health and safety. An inattention to these issues can result in adverse, bottom-line impacts on companies and their shareholders. Companies that do not provide appropriate working conditions can face regulatory action, legal fines, reputational harm, high turnover, and problems attracting workers. All of these have the very real potential of significantly harming the Company and its shareholders.

In this case, we note that the Company has faced a number of fines, inquiries and adverse media attention on account of the working conditions of its employees, particularly those in the Company's warehouses. We understand that, given the nature and scope of the Company's operations, it can be expected that injuries will take place on the job. However, a recent study found that as of 2023 the Company "has not made meaningful progress on its goals" and that the Company's injury levels in 2023 spiked by as much as 59% around its peak operational periods including Prime Days and the holiday shopping season kickoff in November (pp.3-4). Although we recognize that, since that time, the Company has made a number of safety improvements. However, we note that a number of those were made in response to an OSHA settlement, discussed above.

The Company has also faced recent regulatory scrutiny of its safety practices; In December 2024, the Senate Committee on Health, Education, Labor, and Pensions issued its final report into the Company's warehouse safety practices and noted that at least two internal Company studies found a link between the time it takes its employees to perform tasks and workplace injuries, and that the Company rejected many safety recommendations out of concern the proposed changes could reduce productivity. The Company also faces a separate investigation in New York by federal prosecutors regarding the Company's alleged concealment of injury rates and worker safety hazards at U.S. warehouses.

In light of these very serious issues, we believe that additional scrutiny of the working conditions and treatment that the Company's warehouse workers face is warranted. We recognize that the Company produces significant disclosure concerning this matter. The Company also states in response to this proposal that adoption is unnecessary because its workplace health and safety efforts are already assessed by independent regulators. It states that "Federal and state government regulators tasked with investigating and enforcing employee workplace safety standards have inspected and been provided extensive access to information regarding [its] warehouse operations and injury and incident reports nationwide." However, we are unconvinced that this somewhat piecemeal approach to this matter satisfies the request of the proposal, which, ideally, would provide shareholders with a more comprehensive view of how the Company is managing this issue.

Despite this disclosure, we believe that undertaking the requested audit could also have other benefits for the Company. In each year that proposals regarding this topic have gone to a vote, the Company has cited the use of misleading and inaccurate figures in the proposals' supporting statements. These figures are often sourced from media reports or other outside sources, such as the SOC's report, discussed above. In our view, conducting an independent, third-party audit could go a long way in presenting these stakeholders and shareholders with accurate figures and discrediting these reports. As such, we believe that independent verification of the figures cited by the Company could benefit the Company in providing third-party data to support its claims.

We also believe it is important that shareholders consider that the Company states that the proponent has failed to engage with the Company prior to resubmitting this proposal to this year's AGM, a claim we find extremely concerning. We believe that the onus is on both companies and proponents to engage in good faith in order to come to a mutual understanding of the issues of concern to the proponent. Only when such engagement fails do we believe that shareholders should escalate this matter to a shareholder vote. We believe that shareholders should keep this failure to engage in meaningful dialogue in mind when considering how to vote on this proposal.

While we note these concerns with regard to the proponent not engaging in advance of submitting this proposal, we also note continued demonstrated shareholder concerns regarding the Company's management of this issue. This proposal has been submitted to the Company's AGM for several years, and last year, it received over 30% shareholder support (which we consider to be significant). As such, we believe that the previous significant support for this matter should also be considered.

Given the totality of circumstances, we believe support for this proposal is warranted at this time. In our view, the requested audit could provide some assurance to shareholders that the working conditions are being evaluated by an independent third party. Having this independent body evaluate working conditions would likely allow employees to provide an honest assessment of their experiences without the fear of retaliation or retribution and could ensure the Company is able to see all angles of this issue, potentially allowing it to present information that management had previously missed. Accordingly, we believe that support for this proposal is in the best interests of shareholders at this time.

We recommend that shareholders vote **FOR** this proposal.

11.00: SHAREHOLDER PROPOSAL REGARDING REPORT ON RISK OF AI DATA SOURCING

FOR

PROPOSAL REQUEST:	That the Company prepare a report assessing the risks presented by the unethical or improper usage of external data in AI training	**SHAREHOLDER PROPONENT:**	National Legal and Policy Center
BINDING/ADVISORY:	Precatory		
PRIOR YEAR VOTE RESULT (FOR):	N/A	**REQUIRED TO APPROVE:**	Majority of votes cast

RECOMMENDATIONS, CONCERNS & SUMMARY OF REASONING:

FOR -
- Additional disclosure will better allow shareholders to understand the Company's management of AI-related risks

SASB MATERIALITY

PRIMARY SASB INDUSTRY: E-Commerce

FINANCIALLY MATERIAL TOPICS:

- *Hardware Infrastructure Energy & Water Management*
- *Employee Recruitment, Inclusion & Performance*
- *Data Privacy & Advertising Standards*
- *Data Security*
- *Product Packaging & Distribution*

GLASS LEWIS REASONING

- We believe that adoption of this proposal could provide shareholders with a better basis to allow them to assess the potential risks to the Company from its use of external data in the development and training of its AI technology.

PROPOSAL SUMMARY

Text of Resolution: *Resolved: Shareholders request the Company prepare a report, at reasonable cost, omitting proprietary or legally privileged information, to be published within one year of the Annual Meeting and updated annually thereafter, which assesses the risks to the Company's operations and finances, and to public welfare, presented by the real or potential unethical or improper usage of external data in the development and training of its artificial intelligence offerings; what steps the Company takes to mitigate those risks; and how it measures the effectiveness of such efforts.*

Proponent's Perspective

- The development of artificial intelligence ("AI") systems relies on vast amounts of information, and the troves of data openly available via the internet still may not be enough for developers' proclivity for high-quality AI training data;
- Stakeholders are concerned that developers will draw from unethical or illegal sources;
- The Company is an early leader in AI, which has helped push the Company to one of the highest market capitalizations in the world, but unlike its competitors Microsoft, Alphabet, and Meta, the Company has not rushed to bring consumer generative AI products to market;
- While the Company is a major investor in Anthropic, which offers Claude 3, one of the leading competitors to OpenAI's ChatGPT9,?the Company's own AI development has focused on internal use cases and enterprise solutions;
- Shareholders, consumers, and businesses should be concerned that the Company's record on data ethics will compromise its AI initiatives;
- The Company has struggled to implement effective safeguards against the widespread sharing and misuse of consumer data by employees;
- The Company collects user data from intimate sources such as recorded interactions with Alexa and shares it with as many as 41 advertising partners, according to researchers from the University of Washington, University of California-Davis, University of California-Irvine, and Northeastern University;
- The Company's AI chatbot Q, an enterprise generative AI assistant, reportedly leaked confidential data in a preview; and
- Prioritizing data ethics in the Company's AI development will help avoid harmful fiduciary and regulatory consequences.

Board's Perspective

- The responsible development and use of artificial intelligence ("AI") has been a focus of regulators worldwide and, given upcoming and proposed data transparency and reporting regulatory requirements, the separate report requested by this proposal would be unnecessary;
- In 2025, the EU AI Act will require all developers of general-purpose AI models to publish reports on the data used for developing such models, and this reporting will provide further transparency around the data used to develop and train AI models;
- The Company is committed to, and is a leader in, the responsible development and use of AI;
- The Company adheres to industry best practices around data collection, and it designs its products with the goal of respecting privacy rights;
- One of the core dimensions of the Company's commitment to responsible AI is privacy and security, which means that data and models should be appropriately obtained, used, and protected;
- Collaboration among companies, governments, researchers, and the AI community is critical to fostering the development of AI that is safe, responsible, and trustworthy, and to that end, it has closely collaborated with efforts such as the G7 AI Hiroshima Process Code of Conduct and the AI Safety Summits in the UK and Seoul, and in May 2024, it joined the Frontier Model Forum to help advance AI safety; and
- The board has the proper composition to effectively oversee risks associated with AI and, together with the board committees, provides active, informed, and appropriate oversight of data usage and other risks associated with AI and machine learning,

including technologies like foundation models and generative AI.

The proponent provides an exempt solicitation urging support for this resolution.

THE PROPONENT

The National Legal & Policy Center

The proponent of this proposal is the National Legal & Policy Center ("NLPC"). The NLPC describes itself as a 501(c)(3) that "promotes ethics in public life through research, investigation, education, and legal action," and believes "the best way to promote ethics is to reduce the size of government." As NLPC is not an investor, it does not have AUM. Based on the disclosure provided by companies concerning the identity of proponents, during the first half of 2024, the NLPC submitted 23 shareholder proposals that received an average of 3.9% support, with none receiving majority shareholder support.

As part of the corporate integrity project on its website, the NLPC shares its concerns regarding "woke" corporate executives, for instance, posting articles about inclusive content "devaluing" the Pixar franchise or about how the NLPC has reported Visa's chair and CEO to the SEC for ongoing "wokeness." The project also examines a supposed pushback against ESG initiatives, featuring pieces such as one describing corporate America's anti-racism programs as racist against white people and another promoting the NLPC's efforts to nominate a fossil-fuel-supporting director candidate to the board of Exxon Mobil Corporation. The NLPC has submitted other shareholder proposals that, upon first impression, appear to be consistent with environmental and social proposals that call for information or action on enhancing companies' approaches to environmental and social factors but, upon further review, appear to be designed to inhibit companies' actions in such areas.

GLASS LEWIS ANALYSIS

Glass Lewis believes that decisions regarding the formation of board committees and policies related thereto are typically best left to management and the board, absent a showing of egregious or illegal conduct that might threaten shareholder value. We view attention to and expertise on sustainability issues as positive attributes of a diverse board of directors, particularly at a widely known firm with global operations, such as the Company. However, we believe that the board is in the best position to determine and recommend which specialized committees are desirable in light of the Company's unique needs. Shareholders can hold board members accountable for their decisions on these issues through the election of directors.

In this case, the Company's operations are organized into three segments: North America, International, and Amazon Web Services ("AWS"), and customers access its offerings through its websites, mobile apps, Alexa, devices, streaming, and physically visiting its stores. It also manufactures and sells electronic devices (2024 10-K, p.3). Given the size and scope of its operations, we would expect the board to ensure it affords appropriate levels of oversight to matters related to its use of artificial intelligence ("AI") and the potentially significant risks involved with the use of this dynamic technology.

ETHICAL CONCERNS REGARDING AI DATA SOURCING

While there are seemingly innumerable benefits and uses of AI technology, many have also raised concerns regarding the potential ethical implications of the use of AI. In this case, the proponent has raised concerns regarding risks to the Company's operations and finances, and to public welfare, presented by the Company's unethical or improper usage of external data in the development and training of its artificial intelligence offerings.

For a more detailed discussion of notable issues facing companies that are employing the use of AI technology, as well as Regulations Governing AI and Data Usage, please see our analysis of Proposal 8.

CONCERNS REGARDING PRIVACY AND DATA USAGE

In recent years, a number of concerns have been raised regarding privacy and the data used to train AI models. For example, Apple has faced controversy as a result of creative content being used in generative AI systems. Specifically, in late 2023, Apple opened negotiations with major news and publishing organizations, seeking permission to use their material in Apple's development of generative AI systems. The news organizations contacted by Apple include Conde Nast, NBC News, and IAC, which owns *People* and *Better Homes and Gardens,* as part of efforts to secure multiyear deals worth at least $50 million. However, several publishing executives were concerned that Apple's terms were too expansive and that the firm was vague about how it intended to apply generative AI to the news industry, posing a potential competitive risk given Apple's significant audience for news on its devices (Benjamin Mullin, Tripp Mickle. " Apple Explores A.I. Deals With News Publishers." *The New York Times*. December 22, 2023).

Additionally, questions regarding training AI with copyrighted material without transparency, consent, and compensation for rights holders are relevant to the firm's interactions with audiobook distributor Findaway Voices, which was acquired by

Spotify in June 2022. Narrators and authors were informed in early February 2023- the month after Apple began releasing audiobooks using synthetic voice technology- that their contracts with Findaway gave Apple the right to use audiobook files for machine learning training and models. Some of those affected said they were not clearly informed about the contractual clause. The firm eventually agreed to halt accessing the Findaway files, but only those of SAG-AFTRA members, and the union said they were still discussing concerns regarding the safe storage of the recordings and data, usage limitations, and appropriate compensation. Authors suggested that Findaway frequently prompted people to agree to updated contracts, such that, even though the machine learning clause allowed rights holders to opt out, many suspected they signed off on the clause without realizing it (Shubham Agarwal. " Audiobook Narrators Fear Apple Used Their Voices to Train AI." *WIRED*. February 14, 2023).

An investigation by *WIRED* found that several major tech companies, including Apple, Anthropic, Nvidia, and Salesforce, used video transcripts from educational and online learning channels on YouTube to train their AI models without permission. Some of the channels whose content was used included MIT, Harvard, and Khan Academy, but *The Wall Street Journal*, *NPR*, and the *BBC* also had their videos used to train AI. YouTube has rules against scraping content without permission, but a group called EleutherAI claimed to have created the dataset as part of a compilation that the nonprofit released called the Pile. While academics and developers made use of the dataset, which was openly accessible online and included material from not just YouTube but also the European Parliament and English Wikipedia, large technology companies themselves detailed in their research papers and posts how they used the Pile to train AI (Annie Gilbertson, Alex Reisner. " Apple, Nvidia, Anthropic Used Thousands of Swiped YouTube Videos to Train AI." *WIRED*. July 16, 2024).

Siri Eavesdropping Lawsuit

Apple settled a proposed class action lawsuit in early 2025 involving claims that its voice-activated Siri assistant was violating users' privacy by recording private conversations when unintentionally activated and then disclosing those recordings to third parties, such as advertisers. Plaintiffs from a class period from September 17, 2014, to December 31, 2024, detailed receiving ads for places or products that they had mentioned in conversations, with one example involving a user receiving ads for a surgical treatment that he had discussed privately with his doctor. Class members, estimated in the tens of millions, could receive up to $20 per Siri-enabled device. Though it denied wrongdoing, Apple settled the proposed class action lawsuit for $95 million (Jonathan Stempel." Apple to Pay $95 million to Settle Siri Privacy Lawsuit." *Reuters*. January 2, 2025). If the allegations against the firm are true, it may have violated federal wiretapping laws and other statutes designed to protect people's privacy ("Apple's Siri Snooping Settlement Could Mean Money for Consumers. Here's What to Know." *CBS News*. January 3, 2025). The settlement must still be approved by a judge, and lawyers have proposed a February 14, 2025, court date to review the terms of the settlement (Michael Liedtke. " Apple to Pay $95 Million to Settle Lawsuit Accusing Siri of Eavesdropping." *AP News*. January 2, 2025). Lawyers have asserted that Apple's behavior was so egregious that it could have been liable for $1.5 billion in damages if it lost the case (" Apple's Siri Snooping Settlement Could Mean Money for Consumers. Here's What to Know." *CBS News*. January 3, 2025).

In response, Apple released a statement that:

> *Apple has never used Siri data to build marketing profiles, never made it available for advertising, and never sold it to anyone for any purpose. We are constantly developing technologies to make Siri even more private, and will continue to do so.*

Apple also explained how it ensures privacy with Siri through on-device processing, minimized data collection, and privacy protections with Private Cloud Compute.

Meanwhile, a similar lawsuit on behalf of users of Google's voice assistant is pending in a San Jose, California federal court (Jonathan Stempel." Apple to Pay $95 million to Settle Siri Privacy Lawsuit." *Reuters*. January 2, 2025)

Privacy and the Company's Use of Data and AI

Concerns have also been raised concerning privacy and the Company's use of data and AI. In July 2021, Luxembourg's National Commission for Data Protection fined the Company $886.6m for allegedly breaking EU's General Data Protection Regulation, although the Company asserted that there had been no data breach and that the fine was "without merit" (Theo Leggett. " Amazon Hit with $886M Fine for Alleged Data Law Breach." *BBC*. July 30, 2021). Earlier that year, three whistleblowers who were former high-level information security employees at the Company (one from Europe and two from the U.S.) reported that the Company's efforts to protect user data were inadequate and exposed user data to potential breaches, theft, and exploitation. The former employees suggested that the Company prioritized growth over security and compliance, claiming that the Company had little understanding of the data that it had, including where it was stored and who could access it. Additionally, all three whistleblowers claimed that they were "sidelined, dismissed or pushed out" of the Company after attempting to alert senior leadership about the privacy and compliance failures (Vincent Manancourt. "' Millions of People's Data Is at Risk.' -- Amazon Insiders Sound Alarm over Security." *Politico*. February 24, 2021).

In April 2022, a report from four universities (University of Washington, UC Davis, UC Irvine, and Northeastern University) found evidence that the Company and third parties (including advertising and tracking services) were collecting data from interactions with Alexa through Echo smart speakers to direct targeted ads on the internet and on the Company's platforms. More specifically, data was shared with 41 advertising partners who would then use it to infer interests and target ads. The researchers also found that this type of data led to "30X higher ad bids from advertisers." In addition, the ten research scientists behind the report created an auditing framework to measure online advertising data collection, and concluded that there was "strong evidence that smart-speaker interactions are used for the purpose of targeting ads, and that this ad targeting implies significant data sharing across multiple parties." However, they clarified that the shared data was from processed transcripts and not from raw audio (Jennifer Pattison Tuohy. "Researchers Find Amazon Uses Alexa Voice Data to Target You with Ads." *The Verge*. April 28, 2022).

In addition, shortly after releasing its AI chatbot, Q, employees using the chatbot revealed that it could be susceptible to revealing confidential information, including the location of AWS data centers or unreleased features. The employees also warned that Q was "experiencing severe hallucinations" and generating inaccuracies such as bad legal advice. However, the Company responded that it had not identified any security issues with the chatbot, and denied that Q had leaked confidential information (Lakshmi Varanasi. "Amazon's AI Chatbot, Q, Might Be in the Throes of a Mental Health Crisis." *Business Insider*. December 3, 2023).

More recently, the Company announced in March 2025 that it would be ending its privacy feature that lets users of its Echo smart speaker prevent their voice commands from being sent to the Company's cloud. The Company stated that it made the decision to "no longer support this feature" because it expands Alexa's capabilities with generative AI features that rely on cloud processing. The feature was only available on three devices, including the 4th generation Echo Dot, the Echo Show 10, and the Echo Show 15, and only if customers were in the U.S. with the language set to English, such that the Company said less than 0.03% of its customers used it. However, the Company clarified that people still had the option to prevent Alexa from saving voice recordings, and that those who had previously opted to use the "Do Not Send" feature would, as of March 28, be automatically opted into the "Don't save recordings" option. It also reiterated that the "Alexa experience is designed to protect [its] customers' privacy and keep their data secure, and that's not changing." The Company also stated that it was focusing on the privacy tools and controls that its customers use most and work well with generative AI experiences that rely on the processing power of the Company's secure cloud (The Associated Press. "Amazon Ends Little-Used Privacy Feature that Let Echo Users Opt Out of Sending Recordings to Company." *AP News*. March 19, 2025).

COMPANY DISCLOSURE AND PEER COMPARISON

Company Disclosure

In its response to this proposal, the Company states:

> *When it comes to training AI models, we adhere to industry best practices around data collection and design our products with the goal of respecting privacy rights and the rights of artists and content creators. We evaluate our needs for different types of training data and, when appropriate, enter into agreements for data and services to meet those needs. Additionally, our AI models and services go through rigorous security testing designed specifically for generative AI applications to verify they meet safeguards to protect data.*

Additionally, the Company states that the responsible development and use of AI has been a focus of regulators worldwide and, in 2025, the EU AI Act will require all developers of general-purpose AI models to publish reports on the data used for developing such models. It adds that this reporting will provide further transparency around the data used to develop and train AI models (2025 DEF 14A, p.59).

The Company discloses information about how it protects customer privacy while making Alexa better, and explains that training Alexa with "customer data is incredibly important" because for Alexa to work well, the machine learning models that power Alexa need to be trained using a diverse, wide range of real-world customer data. It emphasizes that this is how the Company can ensure the service performs well for everyone, and under all kinds of acoustic conditions, at home or on the go. Additionally, it explains that training Alexa over time also helps Alexa accurately answer questions about events that happen once every several years, and quickly training Alexa with voice recordings also ensure accuracy on trending topics where there's less historical knowledge. It further notes that continuously training its machine learning models with customer data is the reason Alexa's understanding of customer requests has improved by an average of 37% over the past three years, across all languages.

It also provides programs to protect privacy and use data responsibly that don't require any action from the customer. In addition, when the Company collects and uses customer data, it asserts that it keeps it secure and uses it responsibly. For example, the Company uses privacy-preserving methods to limit the amount and type of data that it uses in its natural language understanding modeling environment when training its machine learning models. In addition, it continues to invest in anonymization and synthetic data generation techniques to further protect customer privacy.

Additionally, the Company discusses data minimization, such as moving more data processing directly onto users' devices, looking for ways to de-identify data sooner, and building and refining privacy-preserving machine learning models. The Company explains that it is also actively leveraging large, pre-trained models built from open-source data for few-shot and zero-shot learning to reduce the need for customer data to develop deep learning models for conversational AI and related language understanding applications. It also states that it is developing algorithms that de-identify the data used in model training and enable the Company's models to be robust against privacy attacks.

The Company provides additional information regarding Alexa, Echo Devices, and user privacy on its website, explaining that by default, Alexa-enabled devices are designed to detect only users' chosen wake word, by identifying acoustic patterns that match the wake word. It affirms that no audio is stored or sent to the cloud unless the device detects the wake word, or Alexa is activated by pressing a button. The Company also addresses what happens when users speak to Alexa, how to know when Echo devices are sending audio to the cloud, how to turn off the microphones on Echo devices, how to review and delete Alexa voice recordings, which users can do through their Company accounts through privacy settings. Further, users can delete all voice recordings associated with their account for each Alexa-enabled device and app by visiting Manage Your Content and Devices. The Company also discusses what happens when users delete their Alexa voice recordings, explaining that the Company will delete the voice recordings that users select and the text transcripts of those recordings from the Company's cloud, though it will retain those transcripts for 30 days, for the purpose of allowing users to review their requests, after which they will be automatically deleted. The Company clarifies that after it deletes users' voice recordings, it may still retain certain recordings of the users' Alexa interactions, including records of actions Alexa took in response to users' requests, which allows the Company to continue to provide reminders, timers, and alarms, as well as other things.

Regarding data that is collected by third parties and data stored outside the Company's cloud, such as data stored on users' Echo or mobile devices, the Company states that such data may not be deleted. Additionally, users' deletion requests may not delete copies of data that have been de-identified and are no longer linked to a user or their account. It adds that if the Company has used a user's data to improve its services, it may continue to retain or use the systems trained on the user's data after the user's data has been deleted from the Company's data stores. It then discusses how users' voice recordings, text transcripts, and other interactions with Alexa improve its services.

Further, the Company provides details regarding how Alexa works, including Wake word, and discloses information on how to know when Alexa is listening, if Alexa is still listening and recording when the user isn't talking to Alexa, and if Alexa ever wakes up accidentally, among other things. The Company also lists the core dimensions of its responsible AI, which include privacy and security, and appropriately obtaining, using, and protecting data and models. Its Amazon Bedrock Guardrails also address safety, privacy, and truthfulness guardrails.

AWS also provides a privacy notice, which discusses the types of information it collects, and presents information on how it shares personal information. AWS also affirms that it participates in the EU-US Data Privacy Framework, UK Extension, and Swiss-US Data Privacy Framework, and it provides additional information for certain jurisdictions, as well as examples of information collected. Similarly, the Company provides a privacy notice, stating that it is not in the business of selling its customers' personal information to others. In addition, the Company maintains a privacy webpage and provides additional information about protecting user privacy, and additional state-specific privacy disclosures.

Regarding oversight of this issue, the Company states in its response to this proposal that the nominating and corporate governance committee charter specifically gives it responsibility for overseeing and monitoring risks related to the Company’s operations and engagement with customers, suppliers, and communities. In this capacity, the nominating and corporate governance committee, which includes directors with experience in emerging technologies and public policy, oversees and reviews aspects of the Company's technologies, products, and services. These reviews focus on the actual operation and use of Company technologies, potential concerns and misuse that could arise from these technologies, and the Company's actions to resolve or mitigate those risks and concerns. For example, the nominating and corporate governance committee recently reviewed the Company's global approach to responsible AI development and AI governance. Similarly, the audit committee, which includes directors with experience in emerging technologies and risk management within large and evolving corporations, is responsible for overseeing the Company's risk assessment and risk management policies. These committees regularly meet with, and receive updates from, management on the policies, practices, and initiatives relating to the use of technology, including AI, across the Company's operations (2025 DEF 14A, pp.59-60).

For additional information on the Company's AI-related disclosure, please see our analysis of Proposal 8.

Peer Comparison

To compare, **Alphabet Inc.** (NASDAQ: GOOGL) states in its privacy policy that Google uses information to improve its services and to develop new products, features, and technologies that benefit its users and the public. As such, it explains that it uses publicly available information to help train Google's AI models and build products and features like Google Translate, Gemini Apps, and Cloud AI capabilities.

As part of its AI principles, the firm discusses incorporating privacy design principles into the development and use of its AI technologies. It states that it will give opportunity for notice and consent, encourage architectures with privacy safeguards, and provide appropriate transparency and control over the use of data. In a blog post about building guardrails for generative AI, Alphabet discloses that it has put strong indemnification protections on both training data used for generative AI models and the generated output for users of key Google Workspace and Google Cloud services. It clarifies that if customers are challenged on copyright grounds, the firm will assume responsibility for the potential legal risks involved. It also discusses protecting against unfair bias; red-teaming to help identify current and emergent risks, behaviors, and policy violations, enabling its teams to mitigate them; implementing generative AI prohibited use policies, and safeguarding teens. Regarding protecting consumers' information, the firm states that many of the privacy protections it has had in place for years apply to its generative AI tools too and, just like other types of activity data in a Google Account, Alphabet makes it easy to pause, save, or delete it at any time, including for Bard or Search. It further adds that if a consumer chooses to use the Workspace extensions in Bard, the user's content from Gmail, Docs, and Drive is not seen by human reviewers, used by Bard to show the consumer ads, or used to train the Bard model.

Regarding board oversight, the audit and compliance committee has responsibility for oversight of risks and exposures associated with data privacy and security, competition, legal, regulatory, compliance, civil and human rights, sustainability, and reputational risks. Alphabet also states that the board's oversight function of major risks and risk exposures, including those relating to or resulting from the firm's development and implementation of AI in its products and services, sits at the top of its risk management framework, and as set forth in Alphabet's Corporate Governance Guidelines, the board is ultimately responsible for covering strategic, financial, and execution risks and exposures associated with the firm's business strategy, production innovation, and policy and significant regulatory matters that may present material risk to its financial performance, operations, plans, prospects, or reputation. Further, it adds that the board's skills and expertise, including deep technical expertise in computer science, facilitates oversight of a highly complex global business, and the full board meetings have regularly and extensively covered AI issues. The audit committee and senior management provide the board with reports and updates regarding issues and risk exposures regarding AI development, and these discussions ensure that the board is fully involved in the oversight of Alphabet's business strategies and plans as they relate to AI (2024 DEF 14A, p.94).

To further compare, **Meta Platforms, Inc.** (NASDAQ: META) discusses safeguards and resources for Meta AI, and addresses Meta AI in its Privacy Center. It explains that it uses information from: (i) users' public content (with manageable features); (ii) users' interactions with AI features (with options to see the details AI characters have saved about a user, as well as chat histories from a user's chats with AI, and information for resetting or correcting AI); and (iii) other types of information, with details on how Meta works with select partners to improve AI responses (it does not send personally identifying information) and rights related to how users' information is used.

Meta explains where it gets training information and clarifies that it does not use the content of private messages with friends and family to train its AIs unless a user or someone in the chat chooses to share those messages with its AIs. It also states that it does not specifically link personal information collected publicly from the internet to any Meta account. It then discusses privacy and generative AI, and asserts that it has a robust internal privacy review process that helps ensure the firm is using data at Meta responsibly for its products, including generative AI. It also discloses its privacy policy.

Regarding board oversight, the audit and risk oversight committee assists the board in overseeing the risk management of the firm and oversees certain of the firm's major risk exposures, provided that the board may, in its discretion, exercise direct oversight with respect to any such matters. The committee will review with management, at least annually, the firm's cybersecurity risk exposures and the steps management has taken to monitor or mitigate such exposures. It also reviews with management, at least annually, the firm's major ESG risk exposures and the steps management has taken to monitor or mitigate exposures, in coordination with the other committees of the board as appropriate. The privacy and product compliance committee of the board oversees risk exposures related to privacy, data use, and product compliance. The committee has principal responsibility to assist the board with respect to the firm's product compliance, including in areas of content governance and integrity, youth and well-being, and AI development and implementation.

Summary	
Peer Comparison	Overall, we find the Company and its peers to all provide relatively commensurate disclosure concerning their usage of external data in the development and training of their AI offerings, and their measures to mitigate associated risks.

Analyst Note	In its response to this proposal, the Company asserts that when it comes to training AI models, it adheres to industry best practices around data collection and designs its products with the goal of respecting privacy rights and the rights of artists and content creators. It emphasizes that it evaluates its needs for different types of training data and, when appropriate, enters into agreements for data and services to meet those needs. Additionally, its AI models and services go through rigorous security testing designed specifically for generative AI applications to verify they meet safeguards to protect data. As of 2025, it will be required to provide a report to comply with the EU AI Act. Nevertheless, privacy and security concerns have been raised over the Company's Alexa and Echo devices.

RECOMMENDATION

The Company's investment in and use of AI technologies presents a significant growth opportunity for the Company. However, alongside this opportunity also comes significant risks. The Company faces a variety of legal, regulatory and reputational risks on account of this issue, some of which stem from the usage of external data in the development and training of its AI offerings, the topic of this resolution.

We acknowledge that the Company provides some information concerning this issue. For example, as discussed in Proposal 8, the Company addresses building AI responsibly at AWS and affirms that its core dimensions of responsible AI include privacy and security, as well as safety, among others. Further, the Company and AWS both discuss how they use customers' information and disclose steps that users can take to control their privacy. In addition, the Company affirms that, as of 2025, it will be required to provide a report to comply with the EU AI Act, and this reporting will provide further transparency around the data used to develop and train AI models.

While recognizing these disclosures, we also note that this is a fast-moving issue, and the Company has been quickly developing its capabilities in this area of its business. As such, we believe that additional disclosure could allow shareholders a better understanding of how it is ensuring it is mitigating risks associated with data sourcing. Further, such disclosure could provide customers additional assurance that their personal data is not being used in a manner that compromises their privacy and security. Moreover, one of the Company's peers (Apple) has recently settled a $95 million class action lawsuit claiming its voice-activated Siri assistance violated users' privacy, and a similar lawsuit on behalf of users of Google's voice assistant is pending in a San Jose, California federal court. Both cases demonstrate that the Company could face similar risks on account of its Alexa and Echo devices . In light of these issues, the requested report could serve as a means to encourage the Company to ensure that its future disclosures are robust and provide a solid context for shareholders to allow them to assess the potential risks to the Company from its use of external data in the development and training of its AI projects and implementation. Accordingly, we believe that shareholders should vote in favor of this proposal at this time.

We recommend that shareholders vote **FOR** this proposal.

COMPETITORS / PEER COMPARISON

	AMAZON.COM, INC.	MICROSOFT CORPORATION	APPLE INC.	ALPHABET INC.
Company Data (MCD)				
Ticker	AMZN	MSFT	AAPL	GOOGL
Closing Price	$187.39	$394.04	$211.21	$160.16
Shares Outstanding (mm)	10,612.4	7,434.0	15,022.1	12,135.0
Market Capitalization (mm)	$1,988,650.9	$2,929,286.4	$3,172,812.0	$1,953,913.7
Enterprise Value (mm)	$2,065,272.9	$3,014,713.4	$3,239,312.0	$1,959,147.7
Latest Filing (Fiscal Period End Date)	12/31/24	12/31/24	12/28/24	03/31/25
Financial Strength (LTM)				
Current Ratio	1.1x	1.4x	0.9x	1.8x
Debt-Equity Ratio	0.54x	0.34x	1.45x	0.08x
Profitability & Margin Analysis (LTM)				
Revenue (mm)	$637,959.0	$261,802.0	$395,760.0	$359,713.0
Gross Profit Margin	48.9%	69.4%	46.5%	58.6%
Operating Income Margin	10.8%	45.0%	31.8%	33.2%
Net Income Margin	9.3%	35.4%	24.3%	30.9%
Return on Equity	24.3%	34.3%	136.5%	34.8%
Return on Assets	7.4%	14.6%	22.5%	16.9%
Valuation Multiples (LTM)				
Price/Earnings Ratio	33.9x	31.5x	33.5x	17.9x
Total Enterprise Value/Revenue	3.2x	11.5x	8.2x	5.4x
Total Enterprise Value/EBIT	30.1x	25.6x	25.8x	16.4x
Growth Rate* (LTM)				
5 Year Revenue Growth Rate	17.9%	14.3%	8.1%	16.6%
5 Year EPS Growth Rate	36.9%	16.7%	14.8%	29.3%
Stock Performance (MCD)				
1 Year Stock Performance	7.1%	1.2%	24.0%	-1.6%
3 Year Stock Performance	50.8%	42.0%	34.0%	40.4%
5 Year Stock Performance	51.5%	119.9%	187.6%	137.9%

Source: Capital IQ

MCD (Market Close Date): Calculations are based on the period ending on the market close date, 04/30/25.
LTM (Last Twelve Months): Calculations are based on the twelve-month period ending with the Latest Filing.
*Growth rates are calculated based on a compound annual growth rate method.
A dash ("-") indicates a datapoint is either not available or not meaningful.

VOTE RESULTS FROM LAST ANNUAL MEETING MAY 22, 2024

Source: 8-K (sec.gov) dated May 24, 2024

RESULTS

NO.	PROPOSAL	FOR	AGAINST/WITHHELD	ABSTAIN	GLC REC
1.1	Elect Jeffrey P. Bezos	94.55%	5.21%	0.24%	For
1.2	Elect Andrew R. Jassy	98.35%	1.38%	0.27%	For
1.3	Elect Keith B. Alexander	98.64%	1.11%	0.25%	For
1.4	Elect Edith W. Cooper	93.74%	6.01%	0.25%	For
1.5	Elect Jamie S. Gorelick	95.65%	4.08%	0.27%	For
1.6	Elect Daniel P. Huttenlocher	97.13%	2.62%	0.25%	For
1.7	Elect Andrew Y. Ng	99.17%	0.59%	0.24%	For
1.8	Elect Indra K. Nooyi	98.24%	1.52%	0.24%	For
1.9	Elect Jonathan J. Rubinstein	88.64%	11.08%	0.27%	Against
1.10	Elect Brad D. Smith	99.21%	0.54%	0.25%	For
1.11	Elect Patricia Q. Stonesifer	94.90%	4.86%	0.24%	For
1.12	Elect Wendell P. Weeks	98.39%	1.36%	0.25%	For
2.0	Ratification of Auditor	95.01%	4.74%	0.25%	For
3.0	Advisory Vote on Executive Compensation	77.43%	22.23%	0.34%	For

SHAREHOLDER PROPOSALS*

NO.	PROPOSAL	FOR	AGAINST	GLC REC
4.0	Shareholder Proposal Regarding Formation of Public Policy Committee	6.61%	93.39%	Against
5.0	Shareholder Proposal Regarding Formation of Corporate Financial Sustainability Committee and Public Report	0.59%	99.41%	Against
6.0	Shareholder Proposal Regarding Report on Customer Due Diligence	16.79%	83.21%	For
7.0	Shareholder Proposal Regarding Lobbying Report	29.70%	70.30%	For
8.0	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	29.38%	70.62%	Against
9.0	Shareholder Proposal Regarding Report on Board Oversight of Discrimination	0.78%	99.22%	Against
10.0	Shareholder Proposal Regarding Just Transition Reporting	23.40%	76.60%	For
11.0	Shareholder Proposal Regarding Report on Plastic Packaging	28.64%	71.36%	Against
12.0	Shareholder Proposal Regarding Third-Party Assessment of Freedom of Association	31.81%	68.19%	For
13.0	Shareholder Proposal Regarding Disclosure of Material Scope 3 Emissions	15.25%	84.75%	Against
14.0	Shareholder Proposal Regarding the Human Rights Impacts of Facial Recognition Technology	19.08%	80.92%	For
15.0	Shareholder Proposal Regarding Disclosure of Director Donations	1.01%	98.99%	Against
16.0	Shareholder Proposal Regarding Formation of Artificial Intelligence Committee	9.70%	90.30%	Against
17.0	Shareholder Proposal Regarding Report on Working Conditions	31.24%	68.76%	For

*Abstentions excluded from shareholder proposal calculations.

APPENDIX

GLASS LEWIS PEERS VS PEERS DISCLOSED BY COMPANY

GLASS LEWIS	AMZN
Alphabet Inc.*	Cisco Systems, Inc
Apple Inc.*	Costco Wholesale Corporation
Berkshire Hathaway Inc.	The Walt Disney Company
Broadcom Inc.	Intel Corporation
Chevron Corporation	The Kroger Co
CVS Health Corporation	Netflix, Inc
Exxon Mobil Corporation	Oracle Corporation
Ford Motor Company	Salesforce, Inc
Meta Platforms, Inc.*	Target Corporation
Microsoft Corporation*	United Parcel Service, Inc
The Cigna Group	
UnitedHealth Group Incorporated	
Walmart Inc.*	

**ALSO DISCLOSED BY AMZN*

QUESTIONS

Questions or comments about this report, GL policies, methodologies or data? Contact your client service representative or go to www.glasslewis.com/public-company-overview/ for information and contact directions.

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PARTNER INSIGHTS

The pages following this appendix are included with this Proxy Paper report for informational purposes only. They contain data and insights produced by Glass Lewis' strategic business partners and none of the information included therein is a factor in Glass Lewis' analyses or vote recommendations.

About ESG Book

ESG Book is a global leader in sustainability data and technology. Launched in 2018, the company offers a wide range of sustainability-related data, scoring, and technology products that are used by many of the world's leading investors and companies. Covering over 35,000 companies, ESG Book's product offering includes ESG raw data, company-level and portfolio-level scores and ratings, analytics tools, and a SaaS data management and disclosure platform. ESG Book's solutions cover the full spectrum of sustainable investing including ESG, climate, net-zero, regulatory, and impact products. Read more on: www.esgbook.com.

SUSTAINALYTICS ESG PROFILE

ESG Risk Rating

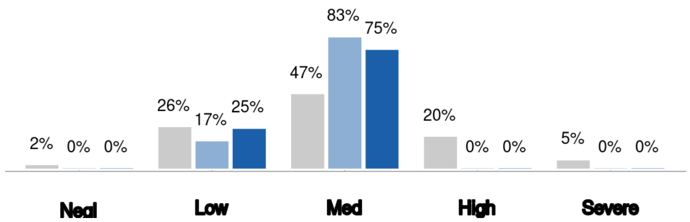
Negligible | Low | **Med** | High | Severe

All data and ratings provided by:
SUSTAINALYTICS
Data Received On: **May 01, 2025**

Rating Overview

The company is at medium risk of experiencing material financial impacts from ESG factors, due to its medium exposure and average management of material ESG issues. The company is noted for its strong corporate governance performance, which is reducing its overall risk. The company is noted for its strong stakeholder governance performance, which is reducing its overall risk. Despite its management policies and programmes, the company has experienced a high level of controversies.

ESG Risk Rating Distribution



Relative Performance

	Rank*	Percentile*
Global Universe	7922 of 15201	**53rd**
Retailing (Industry Group)	425 of 470	**90th**
Online and Direct Marketing Retail (Subindustry)	39 of 73	**53rd**

** 1st = lowest risk*

Exposure to ESG Risk

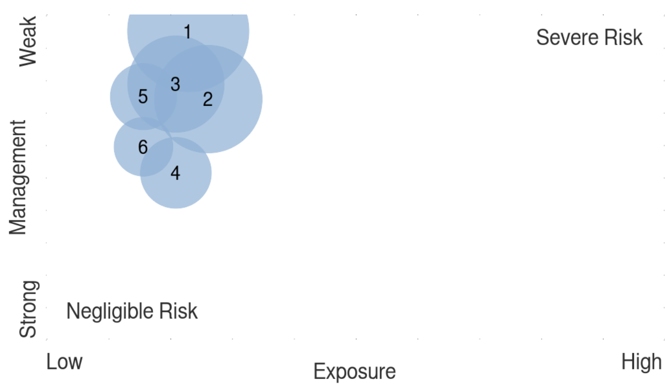
Low | **Medium** | High

Management of ESG Risk

Strong | **Average** | Weak

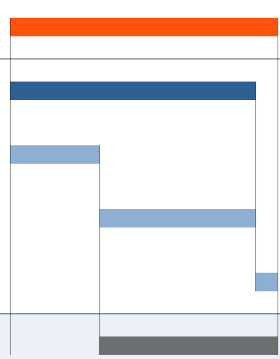
Top Material Issues		ESG Risk Rating
1	Business Ethics	Med
2	Product Governance	Low
3	E&S Impact of Products and Services	Low
4	Data Privacy and Security	Low
5	Human Capital	Low
6	Human Rights - Supply Chain	Low

Negl | Low | Med | High | Severe



= Noteworthy Controversy Level

Risk Details



Exposure	
Company Exposure	The company's sensitivity or vulnerability to ESG risks.
Management	
Manageable Risk	Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.
Managed Risk	Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.
Management Gap	Measures the difference between material ESG risk that could be managed by the company and what the company is managing.
Unmanageable Risk	Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.
ESG Risk Rating	
Overall Unmanaged Risk	Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives but which may not yet be managed.

NOTEWORTHY CONTROVERSIES

SEVERE

The Event has a severe impact on the environment and society, posing serious business risks to the company. This category represents exceptional egregious corporate behavior, high frequency of recurrence of incidents, very poor management of ESG risks, and a demonstrated lack of willingness by the company to address such risks.

- **No severe controversies**

HIGH

The Event has a high impact on the environment and society, posing high business risks to the company. This rating level represents systemic and/or structural problems within the company, weak management systems and company response, and a recurrence of incidents.

- **No high controversies**

SIGNIFICANT

The Event has a significant impact on the environment and society, posing significant business risks to the company. This rating level represents evidence of structural problems in the company due to recurrence of incidents and inadequate implementation of management systems or the lack of.

- **Anti-Competitive Practices**
- **Data Privacy and Security**
- **Quality and Safety**
- **Employees - Human Rights - SC**
- **Labour Relations**
- **Occupational Health and Safety**

PRODUCT INVOLVEMENT*

Range: 0-4.9%

The company manufactures alcoholic beverages.

Range: 0-4.9%

The company is involved in the distribution of adult entertainment materials.

NO PRODUCT INVOLVEMENT

* Range values represent the percentage of the Company"s revenue. N/A is shown where Sustainalytics captures only whether or not the Company is involved in the product.

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This ESG profile is presented for informational purposes and is not a factor in Glass Lewis' analyses or vote recommendations.

All data and ratings provided by:

SUSTAINALYTICS

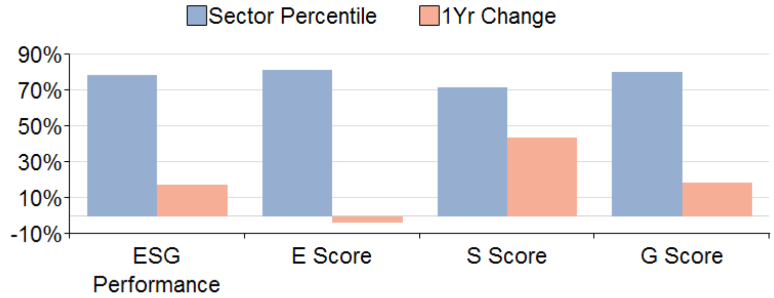
https://www.sustainalytics.com/

ESG BOOK PROFILE

Summary of ESG Performance Score

All data and ratings provided by:

www.esgbook.com



Country:	United States
Sector:	Retail Trade
Industry:	Internet Retail
Data Received:	2025-03-04

ESG Performance Score Details

The ESG Performance Score provides investors and corporates with a systematic and comprehensive sustainability assessment of corporate entities. The score measures company performance relative to salient sustainability issues across the spectrum of environmental, social and governance. The score is driven by a sector-specific scoring model that emphasises financially material issues, where the definition of financial materiality is inspired by the Sustainability Accounting Standards Board (SASB). For more detail please see the ESG Performance Score methodology here.

ESG Performance Score	
Absolute Score	58.1
Sector Percentile	78.6%
1 Year Change	17.1%
2 Year Change	5.8%
3 Year Change	-19.4%

	Environmental	Social	Governance
Score	63.4	54.3	57.8
Weight	37.6%	50.6%	11.8%
Sector Percentile	81.6%	71.7%	80.3%
1 Year Change	-3.8%	43.9%	18.7%

Risk Score Details

The Risk Score provided by ESG Book assesses company exposures relative to universal principles of corporate conduct defined by the UN's Global Compact. The score is accompanied by a transparent methodology and full data disclosure, enabling users to comprehend performance drivers, explain score changes, and explore associated raw data. Tailored for both investors and corporates, it serves as a universe selection tool for investors identifying companies more exposed to critical sustainability issues, while corporates can use it to assess their exposures, conduct peer comparisons, and pinpoint disclosure gaps. For more detail please see the risk score methodology user guide here.

Risk Score	
Absolute Score	62.6
Sector Percentile	86.8%
1 Year Change	-6.8%
2 Year Change	-14.1%
3 Year Change	-14.9%

	Human Rights	Labour Rights	Environment	Anti-corruption
Score	65.6	76.3	62.1	46.6
Weight	25.0%	25.0%	25.0%	25.0%
Sector Percentile	96.1%	90.7%	81.1%	37.0%
1 Year Change	2.2%	-11.7%	-4.6%	-12.2%

Business Involvements - Over a 5% Revenue Threshold

ESG Book has not found any business involvements for the Company that exceed a 5% revenue threshold.