

June 17, 2022

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: File Number S7-10-22, The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Secretary Countryman:

Thank you for the opportunity to comment on the Securities and Exchange Commission's (SEC) proposed rule on The Enhancement and Standardization of Climate-Related Disclosures for Investors.

As an owner, manager and developer of logistics real estate in 19 countries across four continents, Prologis is taking actions to help minimize the impacts of climate change globally by operating our buildings more efficiently; generating and delivering renewable energy to our customers; and driving sustainable building design and construction across the logistics real estate industry. We have set climate goals and have been reporting on our environmental, social and governance (ESG) and sustainability performance for more than a decade.

We support the SEC's goal to encourage more consistent and comparable emissions reporting, and believe we are well-positioned to comply with the proposed rule. Based on our experience with ESG and climate disclosure to date, and to address questions posed by the SEC in the release, we have outlined below several recommendations that we believe will improve certain logistical and technical aspects of the rule in support of the SEC's objectives under the proposal for registrants to provide quality climate-related information. We also respectfully request clarification on certain aspects of the rule relevant to our company, investors, and customers.

Recommendations and Questions

Logistics and Timing Considerations

- We encourage the SEC to consider providing more flexibility with respect to the timing and deadlines for reporting on annual greenhouse gas emissions (GHG) data. Under our current process, we do not complete our GHG inventory and third-party assurance process until April each year, whereas we are required to file our Annual Report on Form 10-K within 60 days of our fiscal year ended December 31st (over the last several years we have filed the Form 10-K in early February). We are concerned that we will not have sufficient time to effectively complete our GHG inventory and the third-party assurance process within the proposed timeframe of providing this information within the Form 10-K. We are further concerned that the proposed timeline would result in the publication of estimated fourth quarter Scope 1 and 2 emissions instead of actual data, which we do not believe would be as useful for investors as actual data. Accordingly, we request that the SEC permit flexibility for companies to file GHG scope disclosures subsequent to the filing of the 10-K, similar to the required 10-K information that today is filed in the Proxy Statement and incorporated by reference. This would eliminate the need to prepare and report

the same information twice (estimates and actuals) and reduce the probability of inaccurate early disclosure.

- For reporting of GHG emissions and financial statement disclosures, we recommend that the requirement be applied prospectively from the effective date of the final rule. As mentioned above, we are supportive of the SEC's goal to improve disclosure quality moving forward. However, the time and cost of implementing the new provisions under the proposal will be significant, and a requirement to also provide data for periods prior to the effective date will be burdensome for many companies that have not collected the information that is required under the rules as proposed.
- We also recommend providing issuers with additional time to report on GHG emissions data related to merger and acquisition activities. From time to time we acquire single buildings and portfolios of real estate properties through public and private company transactions, both domestically and internationally, either directly or through our co-investment vehicles. Obtaining timely GHG emissions data from a predecessor company can be challenging, especially in cases where the predecessor is an international or non-public U.S. company, not subject to the same disclosure requirements, or where the predecessor company otherwise does not have robust systems for tracking and publicly reporting this data. For all acquisitions, we would appreciate the ability to report GHG emissions data for the predecessor company as an estimate in the year of acquisition, which would be similar to the relief provided under the current business combination rules, Accounting Standards Codification (ASC) 805-10-25-14, *Business Combinations*. Within ASC 805, if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date, the initial accounting can be updated for up to a period of one year.

Financial Statement Footnote Disclosures

- We recommend that the SEC reconsider the inclusion of the proposed 1% threshold for the financial impact events and transition activities, expenditures and financial estimates and assumptions. We recommend aligning this disclosure threshold with other Regulation S-X (S-X) line item requirements, which leave the determination of materiality to the issuer based on both quantitative and qualitative considerations. Our responsibility is to provide timely, accurate and complete financial and other information from which investors can make informed, rational investment decisions based on the well-accepted standard of materiality. The requirement of ASC 105-10-05-6, *Generally Accepted Accounting Principles* and the provisions of the Codification need not be applied to immaterial items. In Financial Accounting Standards Board Concepts Statement No. 8, *Qualitative Characteristics of Accounting Information*, the FASB stated the essence of the concept of materiality as follows: *"The omission or misstatement of an item in a financial report is material if, in the light of surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the item."* The FASB's guidance is also consistent with the SEC staff's interpretative guidance on materiality in SAB Topic 1M. We support disclosures based on materiality, from both a qualitative and quantitative perspective, which will provide useful information to our investors, and prioritize disclosure for areas most relevant to our business and strategy.
- We would appreciate further guidance from the SEC on which extreme weather events (defined as physical risks under climate-related conditions and events in the proposal) would be classified as linked to climate change under the rule. For instance, would every acute risk, defined as event-driven risks related to shorter-term extreme weather events, such as a hurricane, flood, and tornado be linked to climate change as a physical risk? Or are there extreme weather events that

we can assume would occur independently of climate change? Additionally, how would a registrant approach the measurement of the SEC's defined chronic risks, including the effects of longer-term weather patterns such as sustained higher temperatures, drought, sea level rise, and increased wildfires, on their business? Currently, there are no standard models for companies to rely upon to accurately forecast (at least quantitatively) the impacts of chronic risks. We do not believe that disclosure of the potential impacts of chronic risks and longer-term weather patterns is appropriate under S-X as these are purely assumptions and estimates and the disclosure of these risks is already appropriately required under Items 105 and 303 of S-K. We believe that any new disclosure requirements should focus on the actual impacts from extreme weather events due to climate change rather than potential impacts.

- Additionally, we would appreciate clarification on the role of insurance as it relates to the financial statement disclosures. Disclosure of losses, net of insurance proceeds, is appropriate if it is probable that the insurance recovery will be realized and both the provision for the loss and insurance receivable are recognized in the same period. As an example, if a natural catastrophe were to occur and a company experienced property losses as a result, the company would record the losses under ASC 450-20, *Loss Contingencies*. If the property was covered by insurance, we would recommend that the company should only be required to report the loss net of the insurance recovery.

Scope 3 Emissions Data

- We believe that it is valuable to our investors to report Scope 3 emissions and therefore we are supportive of the proposal.

As a Real Estate Investment Trust (REIT), we recognize that companies in our sector have varying levels of reliance on estimated emissions for Scope 3 reporting in certain areas and that internal and industry-level efforts will be needed to implement systems and make other changes in order to comply with the SEC's proposed rules. One such area is tenant energy use, especially for REITs who operate using "triple-net leases" where the tenant/customer does not have a legal obligation to share data with their landlord/building owner. A second area where Scope 3 emissions data processes are still maturing is "embodied carbon," including data related to construction materials and life cycle assessments (LCA). Separate from the proposed rules, we plan to continue our internal and industry-level efforts to further automate the collection of Scope 3 data such as systems for sharing tenant energy data automatically (e.g., the Department of Energy's "Green Button" solution for utilities to share whole building data), increased adoption of environmental product declaration within the construction supply chain, improved efficiency of the LCA calculation process, etc.

Due to the time required for companies to put processes in place to gather the data, implement reliable systems to automate data collection, improve efficiencies in calculation methods and work through contractual considerations relevant to our industry, we believe the extended phase-in schedule and safe harbor provisions, as proposed, are necessary. Given the challenges in reporting Scope 3 emissions as described above, we support the SEC's proposed safe harbor provisions applicable to Scope 3 emissions disclosure and there should be no sunset provision with regard to the safe harbor definition.

Conclusion

As one of the largest industrial real estate owners in the U.S. and the world, Prologis is committed to continuing to lead in ESG and climate reporting and to take continued action on climate change.

Thank you for the opportunity to comment on the proposal for The Enhancement and Standardization of Climate-Related Disclosures for Investors. Please do not hesitate to reach out to us with any questions you may have about these comments or Prologis' capabilities to support the SEC's climate disclosure rule process.

Sincerely,

Timothy D. Arndt
Chief Financial Officer
Prologis, Inc.

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About Prologis, Inc.

Headquartered in San Francisco, CA, Prologis, Inc. is the global leader in logistics real estate with a focus on high-barrier, high-growth markets. As of March 31, 2022, the company owned or had investments in, on a wholly owned basis or through co-investment ventures, properties and development projects expected to total approximately 1.0 billion square feet (93 million square meters) in 19 countries. Prologis leases modern logistics facilities to a diverse base of approximately 5,800 customers principally across two major categories: business-to-business and retail/online fulfillment.

As a company, we have had a long-standing commitment to ESG and sustainability and have been reporting on our performance for more than a decade. Since 2011, we have set goals and made progress on our ESG initiatives, including actions to reduce GHG emissions. We continue to disclose these achievements and targets in our annual ESG report, including our Scope 1, 2 and 3 emissions – and obtain third-party limited assurance for all three scopes. We also already report in alignment with Task Force on Climate-Related Financial Disclosures (TCFD) (and have formally endorsed TCFD) and have completed a climate scenario analysis on the physical risk exposures of our assets to climate-related physical risks in the future under various RCP scenarios. We also actively engage with our investors on ESG topics and incorporate the feedback we receive to continue to improve our ESG reporting and integration.

We are helping our customers meet the challenge of climate change by expanding our solar and storage investments and accelerating deployment of EV charging stations to serve medium- and heavy-duty vehicle fleets. We currently have more than 300 megawatts (MW) of solar generating capacity installed across our global portfolio, with a goal of 400 MW by 2025. With Prologis' sizeable footprint and our work on the frontlines of the growth and management of e-commerce and supply chain optimization, we also advance workforce development opportunities and help develop talent for the logistics industry through our Community Workforce Initiative, with a focus on disadvantaged and low-income communities.