



October 29, 2020

**VIA EMAIL** (*shareholderproposals@sec.gov*)

Office of Chief Counsel  
Division of Corporation Finance  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

**Re: Withdrawal of No-Action Request Dated September 21, 2020 Relating to  
Shareholder Proposal Submitted by Green Century Balanced Fund**

Ladies and Gentlemen:

In a letter dated September 21, 2020, Costco Wholesale Corporation requested that the Staff of the Division of Corporation Finance of the Securities and Exchange Commission concur that a shareholder proposal and statements in support thereof submitted to the Company by the Green Century Balanced Fund by letter dated August 2, 2020, and co-filed by the Franciscan Sisters of Perpetual Adoration and Zevin Asset Management on behalf of the Janet Axelrod 1997 Revocable Trust (collectively referred to as the "Proponent") may be omitted from Costco's proxy materials for its 2021 annual meeting of shareholders.

Costco and the Proponent have reached agreement on the Proponent's withdrawal of the proposal, and Costco is hereby withdrawing the request for a no-action letter.

If you have any questions concerning any aspect of this matter or require any additional information, please feel free to contact me at (425) 427-7577. Please email a response to this letter to [jsullivan@costco.com](mailto:jsullivan@costco.com).

Sincerely,

A handwritten signature in black ink that reads "John Sullivan". The signature is written in a cursive, slightly stylized font.

John Sullivan  
Senior Vice President, General Counsel and  
Secretary

cc: Green Century Balanced Fund



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September 21, 2020

**VIA EMAIL** (*shareholderproposals@sec.gov*)

Office of Chief Counsel  
Division of Corporation Finance  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

**Re: Shareholder Proposal Submitted by the Green Century Balanced Fund**

Ladies and Gentlemen:

Pursuant to Rule 14a-8(j) under the Securities Exchange Act of 1934, as amended, Costco Wholesale Corporation, a Washington corporation, is writing to notify the Securities and Exchange Commission of Costco's intention to exclude from its proxy materials for its 2021 annual meeting of shareholders a proposal and supporting statement submitted by the Green Century Balanced Fund by letter dated August 2, 2020, and co-filed by the Franciscan Sisters of Perpetual Adoration and Zevin Asset Management on behalf of the Janet Axelrod 1997 Revocable Trust (collectively referred to as the "Proponent").

Costco has submitted this letter to the Commission no later than eighty (80) calendar days before the Company currently intends to file its definitive proxy materials for its 2021 annual meeting with the Commission (on or about December 10) and concurrently sent copies of this correspondence to the Proponent.

Rule 14a-8(k) and SEC Staff Legal Bulletin No. 14D (Nov. 7, 2008) ("SLB 14D"), provide that shareholder proponents are required to send companies a copy of any correspondence that the proponents elect to submit to the Commission or the Staff of the Division of Corporation Finance. Accordingly, Costco is taking this opportunity to inform the Proponent that if the Proponent elects to submit additional correspondence to the Commission or the Staff with respect to the proposal, a copy of that correspondence should be furnished concurrently to Costco pursuant to Rule 14a-8(k) and SLB 14D.

## THE PROPOSAL

The full text of the proposal is below:

**Whereas:** Costco Wholesale Corporation (Costco) uses palm oil, soy, cattle, cocoa, coffee, and pulp/paper in its products. These commodities contribute to deforestation.

Deforestation accounts for over 10 percent of global greenhouse gas emissions, of which commodity-driven deforestation accounts for half. It also contributes to biodiversity loss, soil erosion, disrupted rainfall patterns, community land conflicts, and forced labor.

Companies that do not mitigate deforestation-related risk in their supply chains are vulnerable to material financial risk.

Reputational damage has been shown to reduce a company's value as much as 30 percent. Deforestation has attracted significant negative attention from civil society, governments, and major media outlets, including *The New York Times* and *Bloomberg*. Costco's reputation has been challenged through public campaigns from Mighty Earth and the Natural Resource Defense Council concerning Costco's exposure to deforestation.

In its 10-K, Costco identifies a "highly competitive" retail marketplace and failure to respond to changing consumer preferences, "including those relating to sustainability," as risk factors.

In light of shifting market and consumer expectations for sustainable products, more than 450 companies, including industry peers, have committed to eliminate deforestation throughout their supply chains: Walmart has a 2020 zero net deforestation commitment that covers the four leading commodity drivers of deforestation; Kroger has committed to zero deforestation for all Kroger-branded products; and, as part of its work to end deforestation and forest degradation, Target has pledged to sustainably source forest-risk commodities, including in its owned brand packaging.

By contrast, Costco's approach to managing deforestation risk lacks: coverage of all forest-risk commodities; time-bound commitments; supply chain traceability; non-compliance protocols for violations of environmental standards; and Scope 3 emissions reduction targets. Additionally, Costco does not adequately disclose progress toward deforestation-free sourcing (e.g., in contrast to Walmart, Target, and Kroger,<sup>1</sup> Costco does not disclose its progress to CDP Forests).

Failure to meet shifting consumer tastes and market demand and to keep pace with industry peers could expose the company to significant business risks, including restricted market access, damage to its brand value, loss of goodwill, and supply chain disruption.

**Resolved:** Shareholders request that Costco report to shareholders by July 31, 2021, at reasonable expense and excluding proprietary information, if and how the Company could increase the scale,

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<sup>1</sup> [https://www.thekrogerco.com/wp-content/uploads/2019/06/The-Kroger-Co\\_Deforestation-Statement\\_2019-June.pdf](https://www.thekrogerco.com/wp-content/uploads/2019/06/The-Kroger-Co_Deforestation-Statement_2019-June.pdf)

pace, and rigor of its efforts to eliminate deforestation and forest degradation from its supply chains.

**Supporting Statements:** Proponents defer to management's discretion, but suggest that indicators meaningful to shareholders may include:

- Reporting annually on the Company's website and third-party platforms, such as CDP Forests, progress toward an anticipated timeframe for 100 percent sourcing consistent with no-deforestation criteria for relevant commodities in Costco's global operations;
- Reporting quantitative metrics on commodity traceability and supply chain impacts, including percentage of commodities sourced and percentage of suppliers in compliance with aforementioned criteria;
- Disclosing evidence of proactive implementation procedures, such as commodity-specific time-bound plans, verification processes, and non-compliance protocols; and
- Setting greenhouse gas emission reduction targets associated with Costco's supply chains, inclusive of deforestation and land use change.

A copy of the proposal, as well as related correspondence with the Proponent, is attached to this letter as Exhibit A.

### **BASIS FOR EXCLUSION**

Costco hereby respectfully requests that the Staff concur in Costco's view that it may exclude the proposal from the 2021 Proxy Materials in reliance on the following:

- Rule 14a-8(i)(10), because Costco has substantially implemented the proposal; and
- Rule 14a-8(i)(7), because the proposal deals with matters relating to Costco's ordinary business operations and seeks to micromanage Costco.

### **ANALYSIS**

#### **1. The Proposal May Be Excluded Under Rule 14a-8(i)(10) Because It Has Been Substantially Implemented**

##### *A. Rule 14a-8(i)(10) Background*

Rule 14a-8(i)(10) permits a company to exclude a shareholder proposal from its proxy materials if the company has already "substantially implemented" the proposal. The purpose of the predecessor provision to Rule 14a-8(i)(10) was "to avoid the possibility of shareholders having to consider matters which already have been favorably acted upon by the management." *Exchange Act Release No. 12598* (July 7, 1976). The Commission later stated that a formalistic application

of the rule requiring full implementation “defeated [the rule’s] purpose,” and then adopted a revised interpretation of the rule to permit the omission of proposals that had been “*substantially implemented*.” *Exchange Act Release No. 20091* (Aug. 16, 1983) and *Exchange Act Release No. 40018*, at n.30 (May 21, 1998) (emphasis added).

A “determination that the company has substantially implemented the proposal depends upon whether [the company’s] particular policies, practices and procedures compare favorably with the guidelines of the proposal.” *Texaco, Inc.* (Mar. 28, 1991). Even when implementation is not identical to the guidelines set forth in the proposal, where a company has satisfied the proposal’s underlying concerns and essential objectives, the proposal has been “substantially implemented.” *NETGEAR, Inc.* (Mar. 31, 2015); *Pfizer Inc.* (Jan. 11, 2013, *recon. denied* Mar. 1, 2013); *Exelon Corp.* (Feb. 26, 2010); *Hewlett-Packard Co.* (Dec. 11, 2007).

In *Exxon Mobil Corp.* (Apr. 3, 2019), the Staff concurred that Exxon could exclude, based on substantial implementation, a proposal requesting that the company issue a report on how it could reduce its carbon footprint. Exxon argued that even though there were “fundamental flaws” with the proposal (specifically in that it would micromanage the company by imposing specific reporting requirements), Exxon “support[ed] the Paris Agreement” and the proposal was substantially implemented because the company had taken “action within its control and core competency to help address the risk of climate change.” Similarly, here, Costco publicly supports the goal of increasing sustainability, including reducing deforestation risk in its supply chains, and has published numerous reports and information in accordance with such commitment.

*B. Costco Has Already Addressed the Proponent’s Essential Objective and Underlying Concerns*

The core of the proposal, or its “essential objective,” is that Costco produce a report on if and how it can “increase the scale, pace, and rigor of its efforts to eliminate deforestation and forest degradation from its supply chains.” Based upon the Proponent’s supporting statement and the language of the proposal, Costco interprets the Proponent’s “underlying concerns” to be the measures Costco is taking to address deforestation and forest degradation in its supply chains. As described further below, Costco’s public disclosures address each aspect of the proposal, including all of the indicators suggested by the supporting statements, by detailing Costco’s plans to implement sustainability goals using a phased approach of continuous improvement over time; Costco’s development and reporting on key forest conservation metrics with regard to its Kirkland Signature products; and how Costco will continue to reduce greenhouse gas emissions in its supply chains. These public disclosures demonstrate that Costco has substantially implemented the proposal by satisfying its essential objective and addressing its underlying concerns, and thus the proposal is excludable under Rule 14a-8(i)(10).

- i. While Costco’s Reports on its Efforts to Eliminate Deforestation Are in Several Formats and in Many Locations, Its Current Disclosures Addresses Each Concern Raised in the Proposal

As described in the Sustainability Reports described below, Costco considers it a key responsibility to source products in a way that is respectful to the environment, with a goal of helping to reduce the loss of natural forest and other natural ecosystems. As such, Costco not only focuses on sustainability with regard to its supply chains, but also with regard to its operations, employees, and packaging. This results in a vast and comprehensive set of data and reporting information that necessarily must be organized in some fashion. Costco utilizes a holistic approach to reporting this information, including continuously updating its website with regard to its ongoing commitments and goals; maintaining specific websites organizing information; issuing reports on specific topics where more practical; and publishing articles in its recurring publication, *Costco Connection*. Thus, the Proponent raises complex issues that Costco has previously and publicly reported, although perhaps not in one consolidated location or in singular report.

Costco already thoroughly reports on its efforts to eliminate deforestation and forest degradation from its supply chains, as described in: (i) its Forest Conservation Commitment for Kirkland Signature Raw Material Sourcing (the “Forest Commitment”), updated as of September 2020,<sup>2</sup> (ii) its Climate Action Plan, updated as of September 2020,<sup>3</sup> (iii) its Sustainability Introduction webpage,<sup>4</sup> including its Commitment Archives webpage<sup>5</sup> which allows viewers to see the ongoing progress and updates to Costco’s Sustainability Commitment, (iv) its Environmental Impacts & Land Stewardship webpage,<sup>6</sup> (v) its Kirkland Signature webpage,<sup>7</sup> (vi) its Packaging webpage,<sup>8</sup> (vii) its Greenhouse Gas Emissions webpage,<sup>9</sup> (viii) its Palm Oil Policy,<sup>10</sup> (ix) multiple articles in *Costco Connection*, including: (a) the cover story “A greener planet” in May/June 2020, interviewing Sheri Flies, Costco VP of Global Sustainability and Compliance,<sup>11</sup> (b) “The packaging challenge” in May 2020,<sup>12</sup> (c) “Sustainable sourcing” in November 2019,<sup>13</sup> (d) “Our world; Explaining Costco’s approach to sustainability” in April 2019,<sup>14</sup> (e) “Supporting forests together” in April 2018,<sup>15</sup> (f) “Family perks: Better coffee through better business” in May 2016,<sup>16</sup> (g) “Cocoa channels: sustaining sources, and the people who provide them, is one of Costco’s

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<sup>2</sup> <https://investor.costco.com/corporate-governance/highlights>; attached hereto as **Exhibit B**.

<sup>3</sup> <https://investor.costco.com/corporate-governance/highlights>; attached hereto as **Exhibit C**.

<sup>4</sup> <https://www.costco.com/sustainability-introduction.html>

<sup>5</sup> <https://www.costco.com/sustainability-introduction.html>

<sup>6</sup> <https://www.costco.com/sustainability-environment.html>

<sup>7</sup> <https://www.costco.com/sustainability-kirkland-signature.html>

<sup>8</sup> <https://www.costco.com/sustainability-packaging.html>

<sup>9</sup> <https://www.costco.com/sustainability-greenhouse-gas-emissions.html>

<sup>10</sup> <https://mobilecontent.costco.com/live/resource/img/static-us-landing-pages/16w0604-sustainability-palm-oil.pdf>

<sup>11</sup> <https://www.costcoconnection.ca/connectioncaeng/20200506/MobilePagedArticle.action?articleId=1581165#articleId1581165>

<sup>12</sup> <https://www.costcoconnection.com/connection/202005/MobilePagedArticle.action?articleId=1582718#articleId1582718>

<sup>13</sup> <https://www.costcoconnection.com/connection/201911/MobilePagedArticle.action?articleId=1534759#articleId1534759>

<sup>14</sup> <https://www.costcoconnection.com/connection/201904/MobilePagedReplica.action?pm=1&folio=103#pg120>

<sup>15</sup> <https://www.costcoconnection.com/connection/201804?pg=49#pg49>

<sup>16</sup> <https://mobilecontent.costco.com/live/resource/img/static-us-landing-pages/16w0604-sustainability-coffee.pdf>

goals” in October 2013,<sup>17</sup> (x) Sassandra Cocoa Program Report (“Sassandra Cocoa Program”),<sup>18</sup> (xi) “Measuring and Mitigating the Carbon Footprint of Organic Eggs” (“Mitigating Carbon Footprint”),<sup>19</sup> a three-year case study developed with Costco, its organic egg farmers, and the Sustainable Food Lab, (xii) Pima Cotton Traceability video,<sup>20</sup> (xiii) its disclosure of supplier Nice-Pak®’s sustainable practices in its production process (“Supplier Sustainable Practices Disclosure”).<sup>21</sup> In addition, Costco requires compliance with applicable environmental laws of the country where merchandise is produced, as described in Costco’s Vendor Code of Conduct,<sup>22</sup> and reports on its vendor compliance audits on its website.<sup>23</sup> As described below, these reports (the “Sustainability Reports”) demonstrate that Costco has substantially implemented the proposal by satisfying its essential objective and underlying concerns, and thus the proposal is excludable under Rule 14a-8(j)(10).

The below table lists which of the Sustainability Reports are responsive to each request, concern and suggestion in the proposal. A more comprehensive discussion of how these disclosures address the essential objective and underlying concerns of the proposal is set forth following the table.

Proposal Request or Concern	Relevant Public Disclosure Sources
“[P]rogress toward an anticipated timeframe for 100 percent sourcing consistent with no-deforestation criteria”	<ul style="list-style-type: none"> <li>• Forest Commitment</li> <li>• Applicable webpages:               <ul style="list-style-type: none"> <li>○ Sustainability Introduction</li> <li>○ Sustainability Commitment Archives</li> <li>○ Environmental Impacts &amp; Land Stewardship</li> <li>○ Kirkland Signature</li> <li>○ Packaging</li> </ul> </li> <li>• Palm Oil Policy</li> <li>• <i>Costco Connection</i> articles:               <ul style="list-style-type: none"> <li>○ “A greener planet”</li> <li>○ “The packaging challenge”</li> <li>○ “Sustainable sourcing”</li> <li>○ “Supporting forests together”</li> <li>○ “Family perks”</li> <li>○ “Cocoa channels”</li> </ul> </li> <li>• Sassandra Cocoa Program</li> </ul>

<sup>17</sup> <https://mobilecontent.costco.com/live/resource/img/static-us-landing-pages/16w0604-sustainability-cocoa.pdf>

<sup>18</sup> <https://mobilecontent.costco.com/live/resource/img/static-us-landing-pages/Sassandra-Cocoa-Program-Report-2019.pdf>

<sup>19</sup> <https://mobilecontent.costco.com/live/resource/img/static-us-landing-pages/16w0604-sustainability-eggs-organic.pdf>

<sup>20</sup> [https://d2vxgxxvhgubbj8.cloudfront.net/videos/69/1656891674\\_1\\_liveclicker.mp4](https://d2vxgxxvhgubbj8.cloudfront.net/videos/69/1656891674_1_liveclicker.mp4)

<sup>21</sup> <https://mobilecontent.costco.com/live/resource/img/static-us-landing-pages/merchandising-kirkland-signature-baby-wipes-noice-pak.pdf>

<sup>22</sup> [http://media.corporate-ir.net/media\\_files/irol/83/83830/COST\\_vendor.pdf](http://media.corporate-ir.net/media_files/irol/83/83830/COST_vendor.pdf)

<sup>23</sup> <https://www.costco.com/sustainability-human-rights.html>

Proposal Request or Concern	Relevant Public Disclosure Sources
	<ul style="list-style-type: none"> <li>• Mitigating Carbon Footprint</li> </ul>
<p>“[Q]uantitative metrics on commodity traceability and supply chain impacts, including percentage of commodities sourced and percentage of suppliers in compliance with aforementioned criteria”</p>	<ul style="list-style-type: none"> <li>• Forest Commitment</li> <li>• Applicable webpages:               <ul style="list-style-type: none"> <li>○ Environmental Impacts &amp; Land Stewardship</li> <li>○ Kirkland Signature</li> <li>○ Packaging</li> </ul> </li> <li>• Palm Oil Policy</li> <li>• <i>Costco Connection</i> articles:               <ul style="list-style-type: none"> <li>○ “The packaging challenge”</li> <li>○ “Sustainable sourcing”</li> <li>○ “Supporting forests together”</li> <li>○ “Family perks”</li> <li>○ “Cocoa channels”</li> </ul> </li> <li>• Sassandra Cocoa Program</li> <li>• Mitigating Carbon Footprint</li> </ul>
<p>“[E]vidence of proactive implementation procedures, such as commodity-specific time-bound plans, verification processes, and non-compliance protocols”</p>	<ul style="list-style-type: none"> <li>• Forest Commitment</li> <li>• Applicable webpages:               <ul style="list-style-type: none"> <li>○ Environmental Impacts &amp; Land Stewardship</li> <li>○ Kirkland Signature</li> <li>○ Packaging</li> </ul> </li> <li>• Palm Oil Policy</li> <li>• <i>Costco Connection</i> articles:               <ul style="list-style-type: none"> <li>○ “A greener planet”</li> <li>○ “The packaging challenge”</li> <li>○ “Sustainable sourcing”</li> <li>○ “Our world”</li> <li>○ “Cocoa channels”</li> </ul> </li> <li>• Sassandra Cocoa Program</li> <li>• Vendor Code of Conduct</li> <li>• Human Rights webpage (Vendor Code of Conduct audits and compliance disclosure)</li> <li>• Mitigating Carbon Footprint</li> </ul>
<p>“Greenhouse gas emission reduction targets associated with Costco’s supply chains, inclusive of deforestation and land use change”</p>	<ul style="list-style-type: none"> <li>• Climate Action Plan</li> <li>• Applicable webpages:               <ul style="list-style-type: none"> <li>○ Environmental Impacts &amp; Land Stewardship</li> <li>○ Kirkland Signature</li> <li>○ Packaging</li> <li>○ Greenhouse Gas Emissions (note GHG disclosures cover Costco’s vertically</li> </ul> </li> </ul>



Proposal Request or Concern	Relevant Public Disclosure Sources
	<p>integrated Kirkland Signature business, which is part of Costco’s supply chains)</p> <ul style="list-style-type: none"> <li>• <i>Costco Connection</i> articles:               <ul style="list-style-type: none"> <li>○ “The packaging challenge”</li> <li>○ “Family perks”</li> </ul> </li> <li>• Sassandra Cocoa Program</li> <li>• Mitigating Carbon Footprint</li> </ul>
Sustainable sourcing of packaging	<ul style="list-style-type: none"> <li>• Forest Commitment</li> <li>• Applicable webpages:               <ul style="list-style-type: none"> <li>○ Environmental Impacts &amp; Land Stewardship</li> <li>○ Packaging</li> </ul> </li> <li>• <i>Costco Connection</i> articles:               <ul style="list-style-type: none"> <li>○ “The packaging challenge”</li> <li>○ “Sustainable sourcing”</li> </ul> </li> <li>• Mitigating Carbon Footprint</li> </ul>
Management of deforestation risk for each of palm oil, soy, cattle, cocoa, coffee, and pulp/paper	<ul style="list-style-type: none"> <li>• Forest Commitment</li> <li>• Climate Action Plan</li> <li>• Applicable webpages:               <ul style="list-style-type: none"> <li>○ Environmental Impacts &amp; Land Stewardship</li> <li>○ Kirkland Signature</li> <li>○ Packaging</li> </ul> </li> <li>• Palm Oil Policy</li> <li>• <i>Costco Connection</i> articles:               <ul style="list-style-type: none"> <li>○ “A greener planet”</li> <li>○ “The packaging challenge”</li> <li>○ “Sustainable sourcing”</li> <li>○ “Supporting forests together”</li> <li>○ “Family perks”</li> <li>○ “Cocoa channels”</li> </ul> </li> <li>• Sassandra Cocoa Program</li> </ul>
Time-bound commitments	<ul style="list-style-type: none"> <li>• Forest Commitment</li> <li>• Climate Action Plan</li> <li>• Applicable webpages:               <ul style="list-style-type: none"> <li>○ Sustainability Introduction</li> <li>○ Environmental Impacts &amp; Land Stewardship</li> <li>○ Kirkland Signature</li> <li>○ Packaging</li> </ul> </li> <li>• Palm Oil Policy</li> </ul>

Proposal Request or Concern	Relevant Public Disclosure Sources
	<ul style="list-style-type: none"> <li>• “The packaging challenge”, <i>Costco Connection</i></li> <li>• Sassandra Cocoa Program</li> </ul>
Supply chain traceability	<ul style="list-style-type: none"> <li>• Forest Commitment</li> <li>• Applicable webpages: <ul style="list-style-type: none"> <li>○ Environmental Impacts &amp; Land Stewardship</li> <li>○ Kirkland Signature</li> <li>○ Packaging</li> </ul> </li> <li>• Palm Oil Policy</li> <li>• <i>Costco Connection</i> articles: <ul style="list-style-type: none"> <li>○ “A greener planet”</li> <li>○ “The packaging challenge”</li> <li>○ “Sustainable sourcing”</li> <li>○ “Supporting forests together”</li> <li>○ “Family perks”</li> <li>○ “Cocoa channels”</li> </ul> </li> <li>• Sassandra Cocoa Program</li> <li>• Mitigating Carbon Footprint</li> <li>• Pima Cotton Traceability video</li> <li>• Supplier Sustainable Practices Disclosure</li> </ul>
Non-compliance protocols for violations of environmental standards	<ul style="list-style-type: none"> <li>• “A greener planet”, <i>Costco Connection</i></li> <li>• Vendor Code of Conduct</li> <li>• Human Rights webpage (Vendor Code of Conduct audits and compliance disclosure)</li> </ul>
Scope 3 emissions reduction targets	<ul style="list-style-type: none"> <li>• Climate Action Plan</li> </ul>
Disclosure of progress to CDP forests	<ul style="list-style-type: none"> <li>• Forest Commitment</li> <li>• Applicable webpages: <ul style="list-style-type: none"> <li>○ Environmental Impacts &amp; Land Stewardship</li> <li>○ Kirkland Signature</li> </ul> </li> <li>• <i>Costco Connection</i> articles: <ul style="list-style-type: none"> <li>○ “Sustainable sourcing”</li> <li>○ “Supporting forests together”</li> </ul> </li> </ul>
Exposure to competition and financial risk	Form 10-K <sup>24</sup> for fiscal year 2019 and prior fiscal years

<sup>24</sup> <https://www.sec.gov/Archives/edgar/data/909832/000090983219000019/cost10k9119.htm>

ii. Costco Already Manages and Reports on Deforestation Risk in its Supply Chains, Including Addressing Future Improvements

Costco's dedication to sustainability, and to informing stakeholders of its progress, is demonstrated in the extent and breadth of information it provides and resources it has devoted to its sustainability commitment. Costco's sustainability website has 14 separate webpages (which contain dozens of further links). It has regularly published articles on its, and its suppliers, sustainability efforts in its *Costco Connection* publication. Costco has also dedicated resources to several unique programs or studies which further its sustainability goals. For example, the Sassandra Cocoa Program improved cocoa production, aided in the traceability of cocoa beans, helped ensure compliance with Costco's Vendor Code of Conduct, replanted cocoa seedlings and assisted farmers in actively reforesting the Ivory Coast. Another example of Costco's extensive efforts include the Measuring and Mitigating the Carbon Footprint of Organic Eggs study it engaged to spur reductions in emissions and introduce more sustainable production practices; the study resulted in Costco's ten organic egg suppliers collectively reducing per-case emissions by 14%, while also increasing production and expanding operations.

Implicitly recognizing the efforts that Costco has already undertaken, the proposal asks for a report on if and how Costco can *increase* its efforts with regard to deforestation risk in its supply chains (emphasis added). By its own language, the proposal recognizes that Costco is already managing and reporting on deforestation risk in its supply chains. Further, the Proponent "defer[s] to management's discretion" with regards to the content of such report, and Costco's management has already exercised such discretion in determining the appropriateness of the Company's existing disclosures. In multiple locations in its Sustainability Reports, Costco documents where it has adopted metrics that are possible to quantify, and where such metrics are not possible to quantify, reiterates that implementing sustainability goals (including managing deforestation risk) is part of a broader conversation with its suppliers that is not governed by static metrics. Costco has said that implementation "will take a phased approach of continuous improvement over time,"<sup>25</sup> that progress will depend on the insight, experience and wisdom of Costco's suppliers and others, and that as Costco learns more, its goals may change. As stated by Ms. Flies, Costco VP of Global Sustainability and Compliance:

[I]t's essential to meet those involved where they are and work together to find out what's needed. . . . we don't come in and say, 'This is what you need and this is how we're going to help you.' We look at the situation as a whole and partner with the communities to learn together what will help these communities and farmers thrive. What will give them resilience, help them cope with market issues and climate change, achieve better yields and build better production facilities? And how can we do this in a way that is not harmful to the environment?<sup>26</sup>

In sum, where Costco has not previously provided the exact information and format suggested by

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<sup>25</sup> Environmental Impacts & Land Stewardship webpage.

<sup>26</sup> "A greener planet," *Costco Connection*.

the Proponent, it is because Costco has previously determined that such methods of reporting are ineffective or impractical given the complex nature of the broad topic of sustainability. However, consistent with the aim of continuous progress and reporting, the Forest Commitment notes that Costco: expects to update its commitment as additional information becomes available; expects to consider additional commodities for future inclusion; will continue to collaborate to further define and achieve deforestation-free sourcing; expects its suppliers to report relevant sourcing information to inform progress on the commitment; and will communicate its own progress in its annual Costco Sustainability Commitment report.

iii. Costco Has Developed and Reports on Key Forest Conservation Metrics with Regard to its Kirkland Signature Products

Costco has been able to develop and report on certain key forest conservation metrics because Costco's own Kirkland Signature brand allows Costco to "go deeper into the supply chain"<sup>27</sup> than with other products. The Forest Commitment and many of the Sustainability Reports (notably, the Kirkland Signature webpage) address, at length, Costco's efforts with regard to the top commodities contributing to deforestation: palm oil, wood/pulp/paper, soy, cocoa, coffee, and beef (the same products noted by the Proponent). While not possible to reiterate every reporting metric here, some examples include:

- Palm Oil: Costco's goal is for all Kirkland Signature suppliers to source palm oil based on specified principles by 2021 or sooner, and Costco reports progress towards this goal, and links to its Roundtable on Sustainable Palm Oil (RSPO) reports, on the Kirkland Signature webpage for each of 2017, 2018, and 2019. Such suppliers reached 96% RSPO certified in 2019.
- Wood/Pulp/Paper: Costco accepts forest management certifications from three leading organizations: Forest Stewardship Council (FSC), Sustainable Forestry Initiative (SFI) or Programme for the Endorsement of Forest Certification (PEFC), with a preference for FSC. All teak sold at Costco, all Kirkland Signature Parchment Paper, and all Kirkland Signature Gift Wrapping Paper is FSC 100% certified. Kirkland Signature paper based products are sourced from certified forests - for example, bath tissue, paper towel, napkin and facial tissue are certified by FSC, SFI, or PEFC.
- Soy: Costco will continue to source Kirkland Signature soy-based products from sources that are deforestation free.
- Cocoa: The majority of cocoa sourced for Kirkland Signature chocolate products is from Costco's exclusive Sassandra Cocoa Program - two relevant features of the program are providing a traceable product, and reforestation efforts in the Ivory Coast.
- Coffee: Kirkland Signature coffee items are sourced from around the world, and are

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<sup>27</sup> Sheri Flies, Costco VP of Global Sustainability and Compliance, in "A greener planet", *Costco Connection*.

supported by a variety of sustainability programs that include Fair Trade Certified™.

- Beef: Costco is a member of the U.S. and Canadian Roundtables for Sustainable Beef and does not source any of its Kirkland Signature beef from Brazil.

iv. Costco's Climate Action Plan Addresses Concerns of Greenhouse Gas Emissions in Costco's Supply Chains

Costco recently released its Climate Action Plan, which further expands on Costco's existing disclosure on greenhouse gas concerns in its supply chains. The Climate Action Plan includes key milestones and estimated milestone dates, such as outlining, by December 2022, specific actions needed to develop and recommend formal climate goals and develop facility-level Scope 1 and 2 targets categorized by operational type. Contrary to the implication of the text of the proposal, Costco's greenhouse gas emission reduction targets for Scope 1 and 2 emissions *do* already cover aspects of Costco's supply chains, because of Costco's vertical integration with its Kirkland Signature products. In addition, the Climate Action Report describes Costco's efforts during the summer of 2020 to explore Scope 3 emissions, including working with select suppliers from three supply chains to help Costco "more thoroughly understand supplier engagement and the current challenges; develop realistic timelines; begin to set priorities and to determine the resources needed; and begin to prioritize and develop a globally-scalable Scope 3 plan." Costco intends to start measuring Scope 3 emissions from its operational waste by December 2023.

The Staff has historically found that proposals requesting reports from a company may be substantially implemented where the proposal requests the company expand on existing efforts, or specify certain metrics with greater particularity, and where the company has already determined that current efforts or metrics are appropriate. The proposal in *Exxon Mobil Corp.* (Mar. 23, 2018, *recon. denied* Apr. 11, 2018) ("Exxon Mobil 2018") requested a report describing how the company could adapt its business model to align with a decarbonizing economy by altering its energy mix to substantially reduce dependence on fossil fuels, including specific alternatives. The company described shifts in its business to adjust to a changing energy economy (including increasing operating efficiencies with regard to fossil fuels and broader efforts to evaluate, research and collaborate on various aspects of the company's energy mix), and noted that the proponent "simply appear[ed] to dislike the manner in which the proposal was substantially implemented." The proponent took issue with these disclosures, claiming that the company could not substantially implement a proposal regarding reducing dependence on fossil fuels by "describing its efforts that principally perpetuate its dependence on fossil fuels." The Staff concurred in the exclusion of the proposal on substantial implementation grounds. *See also eBay Inc.* (Mar. 29, 2018) (concurring in the exclusion under Rule 14a-8(i)(10) of a proposal requesting an assessment of the "feasibility" of integrating sustainability metrics into compensation where the company already determined it was feasible and incorporated those elements in a more "holistic approach" to compensation); *The Cato Corp.* (Mar. 29, 2018) (concurring in the exclusion under Rule 14a-8(i)(10) of a proposal requesting amendment to the company's EEO policy to explicitly prohibit some forms of discrimination where the company noted that, because there was no evidence of adverse effects from the existing EEO policy, implementing the proposal would "not be a productive use of

[c]ompany resources”); *Merck & Co., Inc.* (Mar. 14, 2012) (concurring with exclusion under Rule 14a-8(i)(10) of a proposal requesting a report on the safe and humane treatment of animals because the company had already provided information on its website and additional information was publicly available through disclosures made to governmental authorities); *Entergy Corp.* (Feb. 14, 2014) (concurring with the exclusion under Rule 14a-8(i)(10) of a proposal calling for a report “on policies the company could adopt to take additional near-term actions to reduce its greenhouse gas emissions” where the company had “made numerous public disclosures regarding its current and proposed plans to reduce its greenhouse gas emissions”); *The Dow Chemical Co.* (Mar. 5, 2008) (concurring with the exclusion under Rule 14a-8(i)(10) of a proposal requesting a “global warming report” evaluating how the company’s efforts to diminish the effects of climate change may have affected the global climate when the company had already made statements about its efforts related to climate change in various disclosures).

Much like in *Exxon Mobil 2018*, here the requested report on if and how Costco can *increase* efforts with regard to deforestation in its supply chains is substantially implemented as Costco has already provided disclosure in its Sustainability Reports on its current efforts and has addressed how those efforts will change and evolve over time. The Sustainability Reports further document, where such metrics are possible to quantify, Costco’s progress towards increasing sourcing consistent with no-deforestation criteria. Where such metrics are not possible to quantify, Costco has further disclosed that the underlying concern of the metric is part of a broader conversation and solution which Costco is working towards, such that exact metrics would be impracticable or misaligned with Costco’s existing approach. As noted above, Costco’s current disclosures address each metric and concern raised in the proposal, as well as those suggested in the supporting statements. As in *Exxon Mobil 2018*, the Proponent merely disagrees with the manner in which Costco has evaluated deforestation risk in its supply chains and/or the format in which Costco reports on such risk. Accordingly, Costco’s existing disclosures already implement the proposal and the proposal therefore may be excluded from its definitive proxy materials for its 2021 annual meeting pursuant to Rule 14a-8(i)(10).

## **2. The Proposal May Be Excluded Under Rule 14a-8(i)(7) Because It Deals with Matters Relating to Costco’s Ordinary Business Operations and Seeks to Micromanage Costco**

### *A. Rule 14a-8(i)(7) Background*

Pursuant to Rule 14a-8(i)(7), a shareholder proposal may be excluded if it “deals with a matter relating to the company’s ordinary business operations.” According to the Commission’s release accompanying the 1998 amendments to Rule 14a-8, the term “ordinary business” refers to matters that are not necessarily “ordinary” in the common meaning of the word, but instead the term “is rooted in the corporate law concept [of] providing management with flexibility in directing certain core matters involving the company’s business and operations.” Exchange Act Release No. 40018 (May 21, 1998) (the “1998 Release”).

In the 1998 Release, the Commission explained that the underlying policy of the ordinary business exclusion is “to confine the resolution of ordinary business problems to management and the board

of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting,” and identified two central considerations that underlie this policy. The first is that “[c]ertain tasks are so fundamental to management’s ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight.” The second consideration relates to “the degree to which the proposal seeks to ‘micro-manage’ the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment.” *Id.* (citing Exchange Act Release No. 12999 (Nov. 22, 1976)).

In the 1998 Release, the Commission distinguished proposals pertaining to ordinary business matters from those “focusing on sufficiently significant social policy issues,” the latter of which “generally would not be considered to be excludable” under Rule 14a-8(i)(7). *Id.* However, even when a proposal involves a significant policy issue, the Staff has repeatedly and consistently concurred that a proposal may nevertheless be excluded under Rule 14a-8(i)(7) if the proposal seeks to micromanage the company by requesting an assessment of the feasibility of achieving certain goals or by otherwise specifying the manner in which the company should address the policy issue. *See, e.g., Paypal Holdings, Inc.* (Mar. 6, 2018) (concurring in the exclusion of a proposal requesting a report that “evaluates the feasibility” of achieving certain emissions levels); *Amazon.com, Inc.* (Mar. 6, 2018) (same); *Verizon Communications Inc.* (Mar. 6, 2018) (same); *Deere & Co.* (Dec. 27, 2017) (same); *Deere & Co.* (Dec. 5, 2016) (concurring in the exclusion of a proposal requesting the board of directors generate a plan to achieve certain emissions levels); *Apple Inc.* (Dec. 5, 2016) (same); *Ford Motor Co.* (Mar. 2, 2004) (concurring in the exclusion of a proposal requesting a report containing certain information regarding global warming); and *Duke Energy Corp.* (Feb. 16, 2001) (concurring in the exclusion of a proposal requesting specific reductions in emissions).

In addition, in Staff Legal Bulletin No. 14J, the Staff reminded companies that, regardless of the subject matter of the proposal, the method in which a proposal seeks to address an issue can be a potential basis for exclusion. The Staff confirmed that it considers requests for exclusion based on micromanagement on a case-by-case basis and evaluates not only the nature of the proposal, but also “the circumstances of the company to which [the proposal] is directed.” In applying this framework to proposals that call for a study or report, the Staff also takes into account “the underlying substance of the matters addressed by the study or report” in determining whether the proposal “involves intricate detail, or seeks to impose specific time-frames or methods for implementing complex policies.”

More recently, in Staff Legal Bulletin No. 14K (October 16, 2019) (“SLB 14K”), the Staff noted that, in evaluating arguments under the micromanagement prong of Rule 14a-8(i)(7), it conducts an “assessment of the level of prescriptiveness of the proposal. When a proposal prescribes specific actions that the company’s management or the board must undertake without affording them sufficient flexibility or discretion in addressing the complex matter presented by the proposal, the proposal may micromanage the company to such a degree that exclusion of the proposal would be warranted.” *See CSX Corp.* (Feb. 28, 2020) (concurring in the exclusion of a proposal under Rule 14a-8(i)(7) that requested the company commission a study, beginning no later than the fourth

quarter of 2020, to determine how the company could atone for its participation in slavery); *HP Inc.* (Dec. 20, 2019) (concurring in the exclusion of a proposal under Rule 14a-8(i)(7) that requested the company report within 30 days on actions the company has taken with regard to a particular product line and within 60 days evaluate the risks of such actions).

The Staff also consistently granted no-action relief, prior to SLB 14K, on micromanagement grounds for a number of proposals that touched on significant policy issues but sought to micromanage the company by specifying in detail the means by which the company should address the policy issue. *See EOG Resources, Inc.* (Feb. 26, 2018, *recon. denied* Mar. 12, 2018) (concurring in the exclusion of a proposal under Rule 14a-8(i)(7) on the basis that the proposal sought to micromanage the company by probing too deeply into matters of a complex nature, where the proposal requested the company “adopt company-wide, quantitative, time-bound targets for reducing greenhouse gas (GHG) emissions and issue a report . . . discussing its plans and progress towards achieving these targets” where the company explained that emissions were one of many other factors that the company had to manage and balance on a day-to-day basis); *see also Exxon Mobil Corp.* (Apr. 2, 2019) and *Devon Energy Corp.* (Mar. 4, 2019, *recon. denied* Apr. 1, 2019) (concurring in exclusion of proposal under Rule 14a-8(i)(7) on the basis that the proposal would micromanage the company by seeking to impose specific methods for implementing complex policies); *PayPal Holdings, Inc.* (Mar. 6, 2018) (concurring in the exclusion of a proposal under Rule 14a-8(i)(7) on the basis that the proposal sought to micromanage the company by probing too deeply into matters of a complex nature); *Deere & Co.* (Dec. 27, 2017) (same).

Further, the Staff has allowed exclusion of proposals concerning the sale of particular products and services or choice of operational technologies, even if the proposal relates to a significant policy issue, because product mix and offerings is particularly within the management function of a company and requires complex analysis beyond the ability of shareholders as a group. *See TJX Companies, Inc.* (Apr. 16, 2018) (concurring in the exclusion of a proposal requesting the company adopt a comprehensive animal welfare policy as relating to the company’s “products and services offered for sale”); *The Home Depot, Inc.* (Mar. 21, 2018) (concurring in the exclusion of a proposal requesting the company to end its sale of glue traps); *SeaWorld Entertainment, Inc.* (Mar. 30, 2017, *recon. denied* Apr. 17, 2017) (concurring in the exclusion of a proposal addressing the humane treatment of animals by requesting the replacement of live orca exhibits with virtual reality experiences); *Amazon.com, Inc.* (Jan. 18, 2018) (concurring in the exclusion of a proposal seeking to address water efficiency and performance by requiring the company to list the products it sells in a specific order on its website and to include a specific additional disclosure about certain products); *FirstEnergy Corp.* (Mar. 8, 2013) (concurring in the exclusion of a proposal regarding the company’s diversification of energy resources as concerning the company’s “choice of technologies for use in its operations”); *Dominion Resources, Inc.* (Feb. 22, 2011) (concurring in the exclusion of a proposal that would require the company to offer 100% renewable energy as relating “to the products and services that the company offers”); *Marriott International, Inc.* (Mar. 17, 2010, *recon. denied* Apr. 19, 2010) (concurring in the exclusion of a proposal requiring the installation of low-flow showerheads at certain of the company’s hotels because “although the proposal raises concerns with global warming, the proposal seeks to micromanage the company to such a degree that exclusion of the proposal is appropriate”).



*B. The Proposal Seeks to Micromanage Costco by Probing Too Deeply into Matters of a Complex Nature on Which Shareholders, as a Group, Would Not Be in a Position to Make an Informed Decision*

Costco operates membership warehouses and offers members low prices on a limited selection of nationally-branded and private-label products in a wide range of merchandise categories. The merchandising of each of Costco's products requires complex operational decision-making by supply chain, financial, legal and other management experts based on detailed research, analyses, projections and assumptions regarding, among other things, Costco's operations, logistics, relationships with customers, employees and suppliers, long-term strategy, the financial cost and benefit to Costco, consumer preferences (including regarding sustainability, quality and affordability), consumer health, and the ability of suppliers to meet Costco's supply requirements across its geographic footprint in a manner that satisfies Costco's requirements as to quality, safety, reliability, cost and other factors. Costco must then leverage its buying power to source vast quantities of these select products at an affordable price, consider geography and applicable foreign regulations and finally must ensure that such products are delivered safely and dependably to its warehouses across the world. With regard to developing and creating progress towards its sustainability commitments to suppliers within its supply chains, Costco must have flexibility to recognize the challenges with regard to each particular product, and to meet each supplier where they are. The considerations and challenges with reducing deforestation risk in the supply chains will dramatically differ between a cocoa farmer on the Ivory Coast, and a pulp manufacturer who supplies FSC certified paper products.

The proposal requests that Costco issue a report by July 31, 2021 on "if and how [Costco] could increase the scale, pace, and rigor of its efforts to eliminate deforestation and forest degradation from its supply chains." While the Proponent "defer[s] to management's discretion," the Proponent also suggests rigid reporting metrics, such as "100 percent sourcing consistent with no-deforestation criteria," reporting on supplier compliance with such criteria, "time-bound plans, verification processes, and non-compliance protocols" and greenhouse gas emission reduction targets for Costco's supply chains. The prescriptiveness of these suggested indicators would not afford Costco sufficient flexibility or discretion in addressing the complex matter of deforestation within its supply chains, and would artificially focus management on arbitrary targets to the exclusion of a number of other complex factors that management balances on a day-to-day basis. As described above, management already exercised its discretion addressing "underlying concerns" of the proposal. To the extent that there is any difference between Costco's current disclosures and the more specific suggested indicators in the proposal, such delta is squarely within management's discretion. Thus, to the extent the proposal requests Costco to revisit such decisions or requests that Costco provide further disclosure, the proposal impermissibly attempts to micromanage Costco to such a degree that exclusion is warranted.

- i. Given Costco's Highly-Developed Sustainability Efforts and Reporting, the Proposal Seeks to Micromanage the Allocation of Corporate Resources

The proposal touches on a complex subject of deforestation risk within Costco's supply chains that is part of a broader, and even more complex, subject of sustainability. Solely within the sustainability subcategory of deforestation risk (which the proposal then further limits to within Costco's supply chains), Costco has already provided ample disclosure regarding its goals and commitments, and how it seeks to accomplish those - notably, implementing by working with suppliers and other stakeholders to take a "phased approach of continuous improvement over time." In some cases, Costco has been able to develop more targeted goals with regard to key forest conservation metrics, namely due to the insight gained from its vertically integrated Kirkland Signature brand products. Finally, where Costco has identified opportunities for progress, it has dedicated corporate resources towards developing those programs - such as the Sassandra Cocoa Program or the three-year case study that resulted in Costco's egg suppliers collectively reducing per-case emissions by 14%. Within the subcategory of deforestation risk within Costco's supply chains, Costco has already determined and disclosed the best mix of appropriate responses to deforestation risk within its supply chains.

Further, Costco's sustainability efforts apply to all aspects of its business, not just its supply chains or with regard to deforestation risk specifically. The vast amount of information provided by Costco with regard to its sustainability efforts underscores that Costco seeks to further its sustainability commitments in all aspects of its business. Essentially, Costco has already determined the best method of deploying its corporate resources to meet its sustainability commitments - not just with regard to deforestation risk within its supply chains, but with regard to all of its sustainability commitments.

The proposal asks Costco to consider if and how it can *increase* the "scale, pace, and rigor" of its efforts with regard to deforestation risk within its supply chains. As described above, Costco has already determined the appropriate use of its corporate resources with regard to deforestation risk within its supply chain, and has further made those determinations in light of its other sustainability commitments and goals. The proposal quite simply asks Costco to revisit these decisions and reallocate corporate resources accordingly, and thus seeks to impermissibly micromanage Costco's implementation of its sustainability commitments and allocation of its corporate resources.

ii. The Proposal Relates to the Mix of Costco's Products and Services and Micromanages its Relationship with Suppliers

Management regularly weighs the advantages and disadvantages of Costco's strategic approach, operational capabilities, sustainability commitments, and other priorities. Costco has already made certain commitments and disclosures with regard to deforestation risk in its supply chains, undertaken after consideration of the environmental issues and the potential benefit to Costco's operating performance and competitive position. Even if these decisions result in reputational or financial risk, these operational decisions are a fundamental responsibility reserved for management. The proposal seeks to impermissibly impose on Costco an obligation to re-examine these factors and propose a different approach to managing deforestation risk in its supply chains.

The proposal's purpose is to cause Costco to offer different types of products and to create rigid goals and compliance procedures for its suppliers, which the proposal deems to be necessary to affect Costco's business as a result of economic factors. The proposal:

- Notes that “[c]ompanies that do not mitigate deforestation-related risk in their supply chains are vulnerable to material financial risk,” and that “[r]eputational damage has been shown to reduce a company's value as much as 30 percent.”
- References “shifting market and consumer expectations for sustainable products.”
- Asks Costco to evaluate how it can increase “its efforts to eliminate deforestation and forest degradation from its supply chain.”
- Notes that other companies have made deforestation commitments and discusses their stated intent to shift product sourcing in line with such commitments.
- Claims that “Costco's approach to managing deforestation risk lacks: all forest-risk commodities; time-bound commitments; supply chain traceability; non-compliance protocols for violations of environmental standards; and Scope 3 emissions reduction targets.”
- Suggests that Costco:
  - Report on “progress toward an anticipated timeframe for 100 percent sourcing consistent with no-deforestation criteria for relevant commodities in Costco's global operations.”
  - Report on “quantitative metrics on commodity traceability and supply chain impacts,” including with regard to compliance with the proposal's suggested criteria. The proposals further suggests verification processes and non-compliance protocols.
  - Set greenhouse gas emissions reduction targets associated with Costco's supply chain.

Decisions about developing the appropriate product mix in response to market forces and changing consumer preferences, as well as how to develop, implement and assess compliance with supplier policies, probe too deeply into matters too complex for shareholder oversight, and should appropriately be left to management to resolve as part of its complex and business operational decisions.

### iii. The Proposal Imposes a Specific Timeframe to Adopt Specific Metrics

The proposal looks to micromanage the Company by imposing a specific timeframe for issuing the report “by July 31, 2021.” This resembles proposals that the Staff has allowed registrants to

exclude on Rule 14a-8(i)(7) grounds, to the extent that the proposals' timelines were seen as interfering with ordinary business operations. *See CSX Corp.* (Feb. 28, 2020) (to commission a study in such a way and pursuant to a particular timeframe to begin no later than the fourth quarter of 2020); *HP Inc.* (Dec. 20, 2019) (reports on certain products within 30 and 60 days); *Deere & Co.* (Dec. 27, 2017) (to prepare a report evaluating the potential for the company to voluntarily address its role in climate change by achieving "net-zero" GHG emissions by Dec. 31, 2018, the end of the second year after the shareholder meeting); and *Apple Inc.* (Dec. 5, 2016) (report within one year on the company's plan to reach "net-zero" GHG emissions by 2030). As in these examples, the report requested by the proposal would require continued involvement and input of numerous teams and management from each aspect of Costco's business, as well as third-party experts and specialists, and the coordination and synthesis of that input would require considerable time and resources in an area where Costco has already devised a complex plan. By specifying an arbitrary deadline within the same year as potential shareholder approval of the proposal, the proposal, like that in the above examples, transfers responsibility for prioritization of the Company's objectives and allocation of the Company's time and resources during fiscal year 2021 from the Board and management to the shareholders, inapposite to the principles underlying the Rule 14a-8(i)(7) grounds for exclusion.

#### CONCLUSION

We respectfully request that the Staff confirm that it will not recommend to the Commission that enforcement action be taken against Costco if it excludes the proposal from its proxy materials for its 2021 annual meeting.

If you have any questions concerning any aspect of this matter or require any additional information, please feel free to contact me at (425) 427-7577. Please email a response to this letter to [jsullivan@costco.com](mailto:jsullivan@costco.com).

Sincerely,



John Sullivan  
Senior Vice President, General Counsel and  
Secretary

Enclosures

cc: Green Century Balanced Fund

**Exhibit A**

**Proposal and Related Correspondence**



August 4, 2020

John Sullivan  
Secretary  
Costco Wholesale Corporation  
999 Lake Drive  
Issaquah, Washington 98027

Dear Mr. Sullivan,

The Green Century Equity Fund hereby submits the enclosed shareholder proposal with Costco Wholesale Corporation (COST) for inclusion in the company's 2021 proxy statement in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities and Exchange Act of 1934 (17 C.F.R. § 240.14a-8).

Per Rule 14a-8, the Green Century Balanced Fund is the beneficial owner of at least \$2,000 worth of Costco's stock. We have held the requisite number of shares for over one year, and we will continue to hold sufficient shares in the company through the date of the annual shareholders' meeting. Verification of ownership from a DTC participating bank is enclosed.

Due to the importance of the issue and our need to protect our rights as shareholders, we are filing the enclosed proposal for inclusion in the proxy statement for a vote at the next shareholders' meeting.

We welcome the opportunity to discuss the subject of the enclosed proposal with company representatives. Please direct all correspondence to Jessye Waxman, Shareholder Advocate at Green Century Capital Management. She may be reached at [jwaxman@greencentury.com](mailto:jwaxman@greencentury.com).

We would appreciate confirmation of receipt of this letter via email.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'John Nolan', is written over the word 'Sincerely,'.

John Nolan  
President  
The Green Century Funds

**Whereas:** Costco Wholesale Corporation (Costco) uses palm oil, soy, cattle, cocoa, coffee, and pulp/paper in its products. These commodities contribute to deforestation.

Deforestation accounts for over 10 percent of global greenhouse gas emissions, of which commodity-driven deforestation accounts for half. It also contributes to biodiversity loss, soil erosion, disrupted rainfall patterns, community land conflicts, and forced labor.

Companies that do not mitigate deforestation-related risk in their supply chains are vulnerable to material financial risk.

Reputational damage has been shown to reduce a company's value as much as 30 percent. Deforestation has attracted significant negative attention from civil society, governments, and major media outlets, including *The New York Times* and *Bloomberg*. Costco's reputation has been challenged through public campaigns from Mighty Earth and the Natural Resource Defense Council concerning Costco's exposure to deforestation.

In its 10-K, Costco identifies a "highly competitive" retail marketplace and failure to respond to changing consumer preferences, "including those relating to sustainability," as risk factors.

In light of shifting market and consumer expectations for sustainable products, more than 450 companies, including industry peers, have committed to eliminate deforestation throughout their supply chains: Walmart has a 2020 zero net deforestation commitment that covers the four leading commodity drivers of deforestation; Kroger has committed to zero deforestation for all Kroger-branded products; and, as part of its work to end deforestation and forest degradation, Target has pledged to sustainably source forest-risk commodities, including in its owned brand packaging.

By contrast, Costco's approach to managing deforestation risk lacks: coverage of all forest-risk commodities; time-bound commitments; supply chain traceability; non-compliance protocols for violations of environmental standards; and Scope 3 emissions reduction targets. Additionally, Costco does not adequately disclose progress toward deforestation-free sourcing (e.g., in contrast to Walmart, Target, and Kroger,<sup>1</sup> Costco does not disclose its progress to CDP Forests).

Failure to meet shifting consumer tastes and market demand and to keep pace with industry peers could expose the company to significant business risks, including restricted market access, damage to its brand value, loss of goodwill, and supply chain disruption.

**Resolved:** Shareholders request that Costco report to shareholders by July 31, 2021, at reasonable expense and excluding proprietary information, if and how the Company could increase the scale, pace, and rigor of its efforts to eliminate deforestation and forest degradation from its supply chains.

**Supporting Statements:** Proponents defer to management's discretion, but suggest that indicators meaningful to shareholders may include:

- Reporting annually on the Company's website and third-party platforms, such as CDP Forests, progress toward an anticipated timeframe for 100 percent sourcing consistent with no-deforestation criteria for relevant commodities in Costco's global operations;
- Reporting quantitative metrics on commodity traceability and supply chain impacts, including percentage of commodities sourced and percentage of suppliers in compliance with aforementioned criteria;
- Disclosing evidence of proactive implementation procedures, such as commodity-specific time-bound plans, verification processes, and non-compliance protocols; and
- Setting greenhouse gas emission reduction targets associated with Costco's supply chains, inclusive of deforestation and land use change.

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<sup>i</sup> [https://www.thekrogerco.com/wp-content/uploads/2019/06/The-Kroger-Co\\_Deforestation-Statement\\_2019-June.pdf](https://www.thekrogerco.com/wp-content/uploads/2019/06/The-Kroger-Co_Deforestation-Statement_2019-June.pdf)





August 4, 2020

John Nolan  
Senior Vice President, Green Century Capital Management, Inc.  
President, Green Century Funds  
[114 State Street, Suite 200, Boston, MA 02109](https://www.gccm.com/locations/114-State-Street-Suite-200-Boston-MA-02109)

This letter is to confirm that as of August 4, 2020, UMB Bank, N.A. 2450, a DTC participant, in its capacity as custodian, held 10,528 shares of Costco Wholesale Corporation on behalf of the Green Century Balanced Fund. These shares are held in the Bank's position at the Depository Trust Company registered to the nominee name of Cede & Co.

Further, this is to confirm that the position in Costco Wholesale Corporation Common Stock held by the bank on behalf of the Green Century Balanced Fund has been held continuously for a period of more than one year, including the period commencing prior to August 4, 2019 and through August 4, 2020. During that year prior to and including August 4, 2020 the holdings continuously exceeded \$2,000 in market value.

Sincerely,

Bryan Kennedy  
Mgr I/Operations Team  
UMB Bank, n.a.

**UMB Bank, n.a.**

928 Grand Boulevard  
Kansas City, Missouri 64106

[umb.com](https://www.umb.com)

Member FDIC

ORIGIN ID: LWMA (617) 482-0800  
JOHN NOLAN  
GREEN CENTURY FUNDS  
114 STATE ST.  
STE. 200  
BOSTON, MA 02109  
UNITED STATES US

SHIP DATE: 04AUG20  
ACTWGT: 0.10 LB  
CAD: 8008103/NET4280

BILL SENDER

TO JOHN SULLIVAN, SECRETARY  
COSTCO WHOLESALE CORPORATION  
999 LAKE DRIVE

ISSAQUAH WA 98027

REF. COST RESOLUTION FY21

(617) 482-0800  
INV.  
PO

DEPT

SHIPMENT TRACKING  
Date/Time: 07/20/20 09:11:42 AM  
1 OF 1

TO: JOHN SULLIVAN  
PHN:

LCTN	ROOM	NAME
B1/F3	LEGAL	JOHN SULLIVAN

THU - 06 AUG 10:30A  
MORNING 2DAY

FedEx  
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MORNING 2DAY  
98027  
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1 10:30  
A 3046  
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RECEIVED  
AUG - 7 2020  
LEGAL DEPT

## Madsen, Dierdre L. (SEA)

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**From:** Madsen, Dierdre L. (SEA)  
**Sent:** Wednesday, August 19, 2020 1:02 PM  
**To:** 'Jessye Waxman'  
**Cc:** John Sullivan; Morgan, Sue (SEA); Moore, Andrew B. (SEA); Uuganbayar, Boloroo (Bo) (SEA); John Nolan; Leslie Samuelrich  
**Subject:** RE: Costco Wholesale - Green Century Proposal

Thanks Jessye. We do confirm this remedies the issue; thank you for clarifying and getting back to us.

Best,  
Dierdre

### Dierdre Madsen | Perkins Coie LLP

ASSOCIATE

D. +1.206.359.3297

F. +1.206.359.4297

E. [DMadsen@perkinscoie.com](mailto:DMadsen@perkinscoie.com)

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**From:** Jessye Waxman <[jwaxman@greencentury.com](mailto:jwaxman@greencentury.com)>  
**Sent:** Wednesday, August 19, 2020 12:35 PM  
**To:** Madsen, Dierdre L. (SEA) <[DMadsen@perkinscoie.com](mailto:DMadsen@perkinscoie.com)>  
**Cc:** John Sullivan <[jsullivan@costco.com](mailto:jsullivan@costco.com)>; Morgan, Sue (SEA) <[SMorgan@perkinscoie.com](mailto:SMorgan@perkinscoie.com)>; Moore, Andrew B. (SEA) <[AMoore@perkinscoie.com](mailto:AMoore@perkinscoie.com)>; Uuganbayar, Boloroo (Bo) (SEA) <[BUuganbayar@perkinscoie.com](mailto:BUuganbayar@perkinscoie.com)>; John Nolan <[jnolan@greencentury.com](mailto:jnolan@greencentury.com)>; Leslie Samuelrich <[lsamuelrich@greencentury.com](mailto:lsamuelrich@greencentury.com)>  
**Subject:** RE: Costco Wholesale - Green Century Proposal

Hi Dierdre, all,

I hope this email finds you well. I have not heard back about needed amendments, so we have gone ahead and fixed the typo on our filing letter. We hope this remedies any outstanding issue. Could you please confirm whether this is sufficient to complete our filing materials or whether you need anything else from us?

With thanks,  
Jessye

-----  
Jessye Waxman  
Shareholder Advocate  
Green Century Capital Management  
(617)-482-0800 | [jwaxman@greencentury.com](mailto:jwaxman@greencentury.com)  
114 State Street, Suite 200, Boston, MA 02109  
[www.greencentury.com](http://www.greencentury.com)

---

**From:** Madsen, Dierdre L. (Perkins Coie) <[DMadsen@perkinscoie.com](mailto:DMadsen@perkinscoie.com)>  
**Sent:** Monday, August 17, 2020 4:30 PM  
**To:** Jessye Waxman <[jwaxman@greencentury.com](mailto:jwaxman@greencentury.com)>  
**Cc:** John Sullivan <[jsullivan@costco.com](mailto:jsullivan@costco.com)>; Morgan, Sue (Perkins Coie) <[SMorgan@perkinscoie.com](mailto:SMorgan@perkinscoie.com)>; Moore, Andrew B.

(Perkins Coie) <[AMoore@perkinscoie.com](mailto:AMoore@perkinscoie.com)>; Uuganbayar, Boloroo (Perkins Coie) <[BUuganbayar@perkinscoie.com](mailto:BUuganbayar@perkinscoie.com)>

**Subject:** Costco Wholesale - Green Century Proposal

Jessye,

We are reaching out on behalf of Costco Wholesale Corporation, which received the attached proposal from Green Century. In a procedural review of the letter, we noticed that the proposal was submitted by the “Green Century Equity Fund”, but the actual owner of Costco shares is the “Green Century Balanced Fund.” It looks like these are two separate funds under common management, and it is not clear to us that the Equity Fund is authorized to act for the Balanced Fund. Before issuing a formal defect letter, we wanted to reach out and ask to please clarify – please respond no later than this Thursday, August 20, by 5PM Pacific Time.

Best,  
Dierdre

**Dierdre Madsen | Perkins Coie LLP**

ASSOCIATE

D. +1.206.359.3297

F. +1.206.359.4297

E. [DMadsen@perkinscoie.com](mailto:DMadsen@perkinscoie.com)

---

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August 19, 2020

John Sullivan  
Secretary  
Costco Wholesale Corporation  
999 Lake Drive  
Issaquah, Washington 98027

Dear Mr. Sullivan,

Please find a corrected filing letter, which removes the typo of "Equity Fund" in order to ensure proper authorization for the filing. This letter is to supplement the filing materials sent on August 4, 2020.

The Green Century Balanced Fund hereby submits the shareholder proposal initially sent to Costco Wholesale Corporation (COST) on August 4, 2020 for inclusion in the company's 2021 proxy statement in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities and Exchange Act of 1934 (17 C.F.R. § 240.14a-8).

Per Rule 14a-8, the Green Century Balanced Fund is the beneficial owner of at least \$2,000 worth of Costco's stock. We have held the requisite number of shares for over one year, and we will continue to hold sufficient shares in the company through the date of the annual shareholders' meeting. Verification of ownership from a DTC participating bank is enclosed.


Due to the importance of the issue and our need to protect our rights as shareholders, we are filing the enclosed proposal for inclusion in the proxy statement for a vote at the next shareholders' meeting.

We welcome the opportunity to discuss the subject of the enclosed proposal with company representatives. Please direct all correspondence to Jessye Waxman, Shareholder Advocate at Green Century Capital Management. She may be reached at [jwaxman@greencentury.com](mailto:jwaxman@greencentury.com).

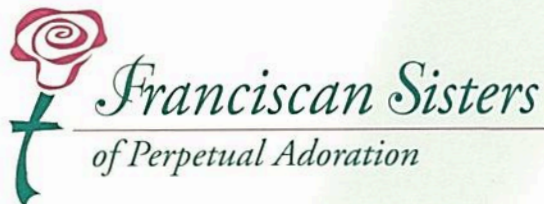
We would appreciate confirmation of receipt of this letter via email.

Thank you for your attention to this matter.

Sincerely,



John Nolan  
President  
The Green Century Funds



912 Market Street La Crosse, WI 54601-4782  
PHONE 608-782-5610 FAX 608-782-6301  
EMAIL [fspa@fspa.org](mailto:fspa@fspa.org) WEBSITE [www.fspa.org](http://www.fspa.org)

August 11, 2020

John Sullivan  
Corporate Secretary  
Costco Wholesale Corporation  
999 Lake Drive  
Issaquah, Washington 98027

Dear Mr. Sullivan:

The Franciscan Sisters of Perpetual Adoration (FSPA) is a long-term shareholder of Costco ('Company'). We have been in dialogue, along with other shareholders and members of the Interfaith Center for Corporate Responsibility, with Company management for several years on various sustainability topics of concern.

One of our concerns is the lack of comprehensive deforestation policy and risks associated with deforestation within the Company's supply chain. Given the Company's lack of progress and transparency on this issue, we believe it is important to file this resolution.

It is for this reason, in accordance with 14a-8 of the general rules and regulations of the Security & Exchange Act of 1934, that we are co-filing the attached proposal for inclusion in the 2020 proxy statement for consideration and action by the shareholders the next annual meeting of the Company.

The Franciscan Sisters of Perpetual Adoration has owned at least \$2,000 worth of the Company's common stock for over one year and will be holding this stock through next year's annual meeting. A representative of the filers will attend the stockholders' meeting to move the resolution as required by the SEC rules. You will be receiving verification of our ownership of this stock from our custodian under separate cover, dated August 11, 2020.

Green Century will act as Primary filer for this resolution, and the primary contact will be Jessye Waxman. We hereby deputize the lead filer to act on our behalf.

Sincerely,

*Susan M. Ernster, FSPA*

Susan Ernster, FSPA  
Vice President and Treasurer of FSPA

Cc: Jessye Waxman ([jwaxman@greencentury.com](mailto:jwaxman@greencentury.com))

**Whereas:** Costco Wholesale Corporation (Costco) uses palm oil, soy, cattle, cocoa, coffee, and pulp/paper in its products. These commodities contribute to deforestation.

Deforestation accounts for over 10 percent of global greenhouse gas emissions, of which commodity-driven deforestation accounts for half. It also contributes to biodiversity loss, soil erosion, disrupted rainfall patterns, community land conflicts, and forced labor.

Companies that do not mitigate deforestation-related risk in their supply chains are vulnerable to material financial risk.

Reputational damage has been shown to reduce a company's value as much as 30 percent. Deforestation has attracted significant negative attention from civil society, governments, and major media outlets, including *The New York Times* and *Bloomberg*. Costco's reputation has been challenged through public campaigns from Mighty Earth and the Natural Resource Defense Council concerning Costco's exposure to deforestation.

In its 10-K, Costco identifies a "highly competitive" retail marketplace and failure to respond to changing consumer preferences, "including those relating to sustainability," as risk factors.

In light of shifting market and consumer expectations for sustainable products, more than 450 companies, including industry peers, have committed to eliminate deforestation throughout their supply chains: Walmart has a 2020 zero net deforestation commitment that covers the four leading commodity drivers of deforestation; Kroger has committed to zero deforestation for all Kroger-branded products; and, as part of its work to end deforestation and forest degradation, Target has pledged to sustainably source forest-risk commodities, including in its owned brand packaging.

By contrast, Costco's approach to managing deforestation risk lacks: coverage of all forest-risk commodities; time-bound commitments; supply chain traceability; non-compliance protocols for violations of environmental standards; and Scope 3 emissions reduction targets. Additionally, Costco does not adequately disclose progress toward deforestation-free sourcing (e.g., in contrast to Walmart, Target, and Kroger,<sup>1</sup> Costco does not disclose its progress to CDP Forests).

Failure to meet shifting consumer tastes and market demand and to keep pace with industry peers could expose the company to significant business risks, including restricted market access, damage to its brand value, loss of goodwill, and supply chain disruption.

**Resolved:** Shareholders request that Costco report to shareholders by July 31, 2021, at reasonable expense and excluding proprietary information, if and how the Company could increase the scale, pace, and rigor of its efforts to eliminate deforestation and forest degradation from its supply chains.


**Supporting Statements:** Proponents defer to management's discretion, but suggest that indicators meaningful to shareholders may include:

- Reporting annually on the Company’s website and third-party platforms, such as CDP Forests, progress toward an anticipated timeframe for 100 percent sourcing consistent with no-deforestation criteria for relevant commodities in Costco’s global operations;
- Reporting quantitative metrics on commodity traceability and supply chain impacts, including percentage of commodities sourced and percentage of suppliers in compliance with aforementioned criteria;
- Disclosing evidence of proactive implementation procedures, such as commodity-specific time-bound plans, verification processes, and non-compliance protocols; and
- Setting greenhouse gas emission reduction targets associated with Costco’s supply chains, inclusive of deforestation and land use change.

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<sup>i</sup> [https://www.thekrogerco.com/wp-content/uploads/2019/06/The-Kroger-Co\\_Deforestation-Statement\\_2019-June.pdf](https://www.thekrogerco.com/wp-content/uploads/2019/06/The-Kroger-Co_Deforestation-Statement_2019-June.pdf)



 *Franciscan Sisters*  
of Perpetual Adoration  
912 Market Street  
La Crosse, WI 54601-4782



John Sullivan  
Corporate Secretary  
Costco Wholesale Corporation  
999 Lake Drive  
Issaquah, Washington 98027

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----- Forwarded message -----

From: **Sr Sue Ernster FSPA** <[sernster@fspa.org](mailto:sernster@fspa.org)>

Date: Tue, Aug 11, 2020, 11:23 AM

Subject: proof of ownership

To: <[jsullivan@costco.com](mailto:jsullivan@costco.com)>

Mr. Sullivan:

I am attaching the proof of ownership for our Costco shares from our manager which was overnighted to you today for receipt tomorrow.

Sue Ernster, FSPA

FSPA Vice President, Treasurer, CFO Director of Finance Dept.

912 Market St.

La Crosse, WI 54601

608-791-5284

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Sue Ernster, FSPA  
912 Market St  
La Crosse, WI 54601

TO: (PLEASE PRINT) PHONE ( )

John Sullivan  
Corporate Secretary  
Costco Wholesale Corporation  
999 Lake Drive  
Issaquah, WA 98027

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FROM:

Sue Ernster, FSPA  
912 Market St  
LaCrosse, WI 54601

TO:

John Sullivan  
Corporate Secretary  
Costco Wholesale Corporation  
999 Luce Drive  
Issaquah, WA 98027



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# STIFEL NICOLAUS

WILLIAM E. TIENKEN  
FIRST VICE PRESIDENT/INVESTMENTS

August 11, 2020

John Sullivan  
Corporate Secretary  
Costco Wholesale Corporation  
999 Lake Drive  
Issaquah, Washington 98027

Dear Mr. Sullivan:

Please accept this letter as confirmation that our client, the Franciscan Sisters of Perpetual Adoration, has held shares of Costco Wholesale Corp. since January 2014. The client is a current holder of over 1,000 shares and plans to continue to hold a position through next year's annual meeting and after. Statements reflecting proof of ownership are enclosed.

Sincerely,



Will Tienken  
First Vice President/Investments

STIFEL, NICOLAUS & COMPANY, INCORPORATED

70 WEST MADISON STREET, SUITE 2400 | CHICAGO, ILLINOIS 60602  
(312) 454-3838 | (800) 745-7110 TOLL-FREE | (312) 454-3856 FAX | TIENKENW@STIFEL.COM

MEMBER SIPC AND NYSE























































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----- Forwarded message -----

From: **Pat Tomaino** <[Pat@zevin.com](mailto:Pat@zevin.com)>

Date: Wed, Aug 12, 2020, 6:53 AM

Subject: Zevin Asset Management co-file of deforestation shareholder proposal

To: Bob Nelson <[bnelson@costco.com](mailto:bnelson@costco.com)>

Cc: John Sullivan <[jsullivan@costco.com](mailto:jsullivan@costco.com)>, Richard Galanti <[rgalanti@costco.com](mailto:rgalanti@costco.com)>, Nicola Merrett <[nmerrett@costco.com](mailto:nmerrett@costco.com)>, Joshua Dahmen <[jdahmen@costco.com](mailto:jdahmen@costco.com)>, David Sherwood <[DWSherwood@costco.com](mailto:DWSherwood@costco.com)>, Jessye Waxman <[jwaxman@greencentury.com](mailto:jwaxman@greencentury.com)>

Good morning,

Please find attached Zevin Asset Management's co-filing of a shareholder proposal for the 2021 AGM on behalf of our client.

I posted this to Mr. Sullivan yesterday, and he should receive it today.

Thank you for constructive dialogue over the years. I look forward to engaging with you and the lead filer, Green Century Capital Management, further on this matter.

My best,

pmt

.....  
**Pat Miguel Tomaino** (he/him)

**Director of Socially Responsible Investing**

**Zevin Asset Management, LLC**

*2 Oliver Street, Suite 806 | Boston, MA 02109*

617.742.6666 x3010 | [pat@zevin.com](mailto:pat@zevin.com)

[www.zevin.com](http://www.zevin.com)

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# Zevin Asset Management

August 11, 2020

*Via Overnight UPS & e-mail*

John Sullivan  
Corporate Secretary  
Costco Wholesale Corporation  
999 Lake Drive  
Issaquah, WA 98027

**RE: Shareholder proposal for 2021 Annual Meeting**

Dear Mr. Sullivan,

Enclosed please find our letter co-filing the attached proposal to be included in the proxy statement of Costco Wholesale Corporation ("Costco" or the "Company") for its 2021 annual meeting of stockholders.

As you and your team recall, Zevin Asset Management is a socially responsible investment manager which integrates financial and environmental, social, and governance research in making investment decisions on behalf of our clients. We are co-filing the attached proposal requesting a report on deforestation because Costco needs a more proactive approach to mitigating deforestation-related risk in its supply chain.

We are co-filing this shareholder resolution on behalf of one of our clients Janet Axelrod 1997 Revocable Trust (the Proponent), which has continuously held, for at least one year of the date hereof, 1,418 shares of the Company's stock, which would meet the requirements of Rule 14a-8 under the Securities Exchange Act of 1934, as amended. Verification of this ownership from our client's custodian is enclosed. That documentation shows that Janet Axelrod 1997 Revocable Trust (the Proponent) is beneficial owner of the above-mentioned Costco shares.

Zevin Asset Management, LLC has complete discretion over the Proponent's shareholding account at UBS Financial Services, which means that we have complete discretion to buy or sell investments as well as submit shareholder proposals at the direction of our client (the Proponent) to companies in the Proponent's portfolio. In consultation with our client (the Proponent), we confirm that the Proponent intends to continue to hold the requisite number of shares through the date of the Company's 2021 annual meeting of stockholders.



Zevin Asset Management, LLC is a co-filer of this proposal. Green Century Capital Management is the lead filer of this resolution and can act on our behalf in withdrawal of this resolution. A representative of the filer will be present at the stockholder meeting to present the proposal. We would appreciate being copied on any correspondence related to this matter.

Zevin Asset Management, LLC welcomes the opportunity to discuss the proposal with representatives of the Company. Please confirm receipt to me at 617-742-6666 or pat@zevin.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Pat Miguel Tomaino", enclosed within a hand-drawn oval.

Pat Miguel Tomaino  
Director of Socially Responsible Investing  
Zevin Asset Management, LLC

CC: Jessye Waxman, Green Century Capital Management (lead filer contact)

**Whereas:** Costco Wholesale Corporation (Costco) uses palm oil, soy, cattle, cocoa, coffee, and pulp/paper in its products. These commodities contribute to deforestation.

Deforestation accounts for over 10 percent of global greenhouse gas emissions, of which commodity-driven deforestation accounts for half. It also contributes to biodiversity loss, soil erosion, disrupted rainfall patterns, community land conflicts, and forced labor.

Companies that do not mitigate deforestation-related risk in their supply chains are vulnerable to material financial risk.

Reputational damage has been shown to reduce a company's value as much as 30 percent. Deforestation has attracted significant negative attention from civil society, governments, and major media outlets, including *The New York Times* and *Bloomberg*. Costco's reputation has been challenged through public campaigns from Mighty Earth and the Natural Resource Defense Council concerning Costco's exposure to deforestation.

In its 10-K, Costco identifies a "highly competitive" retail marketplace and failure to respond to changing consumer preferences, "including those relating to sustainability," as risk factors.

In light of shifting market and consumer expectations for sustainable products, more than 450 companies, including industry peers, have committed to eliminate deforestation throughout their supply chains: Walmart has a 2020 zero net deforestation commitment that covers the four leading commodity drivers of deforestation; Kroger has committed to zero deforestation for all Kroger-branded products; and, as part of its work to end deforestation and forest degradation, Target has pledged to sustainably source forest-risk commodities, including in its owned brand packaging.

By contrast, Costco's approach to managing deforestation risk lacks: coverage of all forest-risk commodities; time-bound commitments; supply chain traceability; non-compliance protocols for violations of environmental standards; and Scope 3 emissions reduction targets. Additionally, Costco does not adequately disclose progress toward deforestation-free sourcing (e.g., in contrast to Walmart, Target, and Kroger,<sup>1</sup> Costco does not disclose its progress to CDP Forests).

Failure to meet shifting consumer tastes and market demand and to keep pace with industry peers could expose the company to significant business risks, including restricted market access, damage to its brand value, loss of goodwill, and supply chain disruption.

**Resolved:** Shareholders request that Costco report to shareholders by July 31, 2021, at reasonable expense and excluding proprietary information, if and how the Company could increase the scale, pace, and rigor of its efforts to eliminate deforestation and forest degradation from its supply chains.

**Supporting Statements:** Proponents defer to management's discretion, but suggest that indicators meaningful to shareholders may include:

- Reporting annually on the Company's website and third-party platforms, such as CDP Forests, progress toward an anticipated timeframe for 100 percent sourcing consistent with no-deforestation criteria for relevant commodities in Costco's global operations;
- Reporting quantitative metrics on commodity traceability and supply chain impacts, including percentage of commodities sourced and percentage of suppliers in compliance with aforementioned criteria;
- Disclosing evidence of proactive implementation procedures, such as commodity-specific time-bound plans, verification processes, and non-compliance protocols; and
- Setting greenhouse gas emission reduction targets associated with Costco's supply chains, inclusive of deforestation and land use change.

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<sup>i</sup> [https://www.thekrogerco.com/wp-content/uploads/2019/06/The-Kroger-Co\\_Deforestation-Statement\\_2019-June.pdf](https://www.thekrogerco.com/wp-content/uploads/2019/06/The-Kroger-Co_Deforestation-Statement_2019-June.pdf)



# Zevin Asset Management

August 11, 2020

To Whom It May Concern:

Please find attached UBS Financial Services custodial proof of ownership statement of Costco Wholesale Corporation (COST) from Janet Axelrod 1997 Revocable Trust. Zevin Asset Management, LLC is the investment advisor to Janet Axelrod 1997 Revocable Trust and co-filed a shareholder resolution regarding a deforestation report on behalf of Janet Axelrod 1997 Revocable Trust.

This letter serves as confirmation that Janet Axelrod 1997 Revocable Trust is the beneficial owner of the above referenced stock.

Sincerely,

Pat Miguel Tomaino  
Director of Socially Responsible Investing  
Zevin Asset Management, LLC



**UBS Financial Services Inc.**  
One Post Office Square  
Boston, MA 02109  
Tel. 617-439-8227  
Fax 855-833-0369  
Toll Free 800-225-2385  
[www.ubs.com/team/kwbwm](http://www.ubs.com/team/kwbwm)

**Kolton Wood Brown Wealth Management**

[www.ubs.com](http://www.ubs.com)

August 11, 2020

To Whom It May Concern:

This is to confirm that DTC participant (number 0221) UBS Financial Services Inc is the custodian for 1,418 shares of common stock in Costco Wholesale Corporation (COST) owned by Janet Axelrod 1997 Revocable Trust.

We confirm that the above account has beneficial ownership of at least \$2,000 in market value of the voting securities of COST and that such beneficial ownership has continuously existed for one or more years in accordance with rule 14a-8(a)(1) of the Securities Exchange Act of 1934.

The shares are held at Depository Trust Company under the Nominee name of UBS Financial Services.

This letter serves as confirmation that Janet Axelrod 1997 Revocable Trust is the beneficial owner of the above referenced stock.

Zevin Asset Management, LLC is the investment advisor to Janet Axelrod 1997 Revocable Trust and is planning to co-file a shareholder resolution on behalf of Janet Axelrod 1997 Revocable Trust.

Sincerely,

A handwritten signature in black ink that reads "Kelley A. Bowker". The signature is written in a cursive, flowing style.

Kelley A. Bowker

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PAT MARGUL, TOWNHIO  
617.742.6666  
ZEVIN ASSET MANAGEMENT  
2 OLIVER STREET  
BOSTON MA 02109

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Tim Wahlquist &lt;twahlquist@costco.com&gt;

---

**Re: Requesting deforestation dialogue after filing shareholder resolution**

1 message

---

**Pat Tomaino** <Pat@zevin.com>

Tue, Sep 8, 2020 at 9:26 AM

To: Jessye Waxman &lt;jwaxman@greencentury.com&gt;

Cc: Tim Wahlquist &lt;twahlquist@costco.com&gt;, GIUSEPPE BRESIN &lt;giuseppe.bresin@hsbc.com&gt;, Natalie Wasek &lt;wasek.natalie@gmail.com&gt;, "Sr. Sue Ernster" &lt;sernster@fspa.org&gt;

Thank you !

---

Pat Miguel Tomaino  
Director of Socially Responsible Investing  
Zevin Asset Management  
[www.zevin.com](http://www.zevin.com)

On Sep 8, 2020, at 9:21 AM, Jessye Waxman <[jwaxman@greencentury.com](mailto:jwaxman@greencentury.com)> wrote:

Hi Tim,

I hope you had a nice holiday weekend. After conferring with the other investors, September 11 at 8amPT/11am ET seems like the best time. I believe you had mentioned 30 minutes; we usually have at least an hour's worth of content to discuss with companies. Are you able to meet for an hour?

In the meantime, I'll send around a calendar invite for everyone to hold the time.

Thanks,

Jessye

-----

Jessye Waxman

Shareholder Advocate

Green Century Capital Management

(617)-482-0800 | [jwaxman@greencentury.com](mailto:jwaxman@greencentury.com)[114 State Street, Suite 200, Boston, MA 02109](https://www.greencentury.com)[www.greencentury.com](http://www.greencentury.com)

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**From:** Tim Wahlquist <[twahlquist@costco.com](mailto:twahlquist@costco.com)>  
**Sent:** Friday, September 4, 2020 1:57 PM  
**To:** Jessye Waxman <[jwaxman@greencentury.com](mailto:jwaxman@greencentury.com)>  
**Cc:** GIUSEPPE BRESIN <[giuseppe.bresin@hsbc.com](mailto:giuseppe.bresin@hsbc.com)>; Pat Tomaino <[Pat@zevin.com](mailto:Pat@zevin.com)>; Natalie Wasek <[wasek.natalie@gmail.com](mailto:wasek.natalie@gmail.com)>; Sr. Sue Ernster <[sernster@fspa.org](mailto:sernster@fspa.org)>  
**Subject:** Re: Requesting deforestation dialogue after filing shareholder resolution

Hi Jessye,

Scheduling with many people is always challenging.

Given our (Costco) schedules, we would need to talk next week. We're trying to be accommodating. Here are some earlier times and dates (Pacific) we're available next week to choose from.

9/8 6-9am

9/9 6-7:30am

9/10 6-7:30am

9/11 6-9am

Thanks,

Tim Wahlquist

Costco Wholesale

Director of Responsible Sourcing & Packaging

Global Sustainability and Compliance

Office 425.416.2473

[twahlquist@costco.com](mailto:twahlquist@costco.com)

Internal Users:

Click [here](#) for our Global Buyer Sustainability site.

Click [here](#) for our Global Sustainable Packaging site.

On Fri, Sep 4, 2020 at 9:29 AM Jessye Waxman <[jwaxman@greencentury.com](mailto:jwaxman@greencentury.com)> wrote:

\*\*\*

Hi Tim,

Unfortunately the 8<sup>th</sup> doesn't work. We still have a bit of time before the proxy goes to print, so I'd hope we'd be able to find a time that works for us all. Perhaps something for later in the month or early October? Could you send us a few new dates?

With thanks,

Jessye

-----

Jessye Waxman

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114 State Street, Suite 200, Boston, MA 02109

[www.greencentury.com](http://www.greencentury.com)

---

**From:** Tim Wahlquist <[twahlquist@costco.com](mailto:twahlquist@costco.com)>

**Sent:** Thursday, September 3, 2020 7:01 PM

**To:** Jessye Waxman <[jwaxman@greencentury.com](mailto:jwaxman@greencentury.com)>

**Cc:** GIUSEPPE BRESIN <[giuseppe.bresin@hsbc.com](mailto:giuseppe.bresin@hsbc.com)>; Pat Tomaino <[Pat@zevin.com](mailto:Pat@zevin.com)>; Natalie Wasek <[wasek.natalie@gmail.com](mailto:wasek.natalie@gmail.com)>; Sr. Sue Ernster <[sernster@fspa.org](mailto:sernster@fspa.org)>

**Subject:** Re: Requesting deforestation dialogue after filing shareholder resolution

Hi Jessye,

The only morning that is available is 9/8 due to holiday and budget meetings. Will 9am Pacific on 9/8 work for you? If not, is it possible for the people that can make the call to share notes with those that can't?

Thanks,

Tim Wahlquist

Costco Wholesale

Director of Responsible Sourcing & Packaging

Global Sustainability and Compliance



Office 425.416.2473

[twahlquist@costco.com](mailto:twahlquist@costco.com)

Internal Users:

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Click [here](#) for our [Global Sustainable Packaging site](#).

On Thu, Sep 3, 2020 at 3:33 PM Jessye Waxman <[jwaxman@greencentury.com](mailto:jwaxman@greencentury.com)> wrote:

Hi Tim,

Apologies for the delay. Unfortunately, we were not able to find a time that works for all of us. Giuseppe is based in Europe, which makes afternoon call times challenging. Are there times next week or the week after that you and Ms. Flies are available in the morning?

Thanks,

Jessye

---

**From:** Tim Wahlquist <[twahlquist@costco.com](mailto:twahlquist@costco.com)>  
**Sent:** Thursday, September 3, 2020 6:14 PM  
**To:** Jessye Waxman <[jwaxman@greencentury.com](mailto:jwaxman@greencentury.com)>  
**Cc:** GIUSEPPE BRESIN <[giuseppe.bresin@hsbc.com](mailto:giuseppe.bresin@hsbc.com)>; Pat Tomaino <[Pat@zevin.com](mailto:Pat@zevin.com)>; Natalie Wasek <[wasek.natalie@gmail.com](mailto:wasek.natalie@gmail.com)>; Sr. Sue Ernster <[sernster@fspa.org](mailto:sernster@fspa.org)>  
**Subject:** Re: Requesting deforestation dialogue after filing shareholder resolution

Hi Jessye,

Have you been able to decide on a time for next week's call?

Thanks,

Tim Wahlquist

Costco Wholesale

Director of Responsible Sourcing & Packaging

Global Sustainability and Compliance

Office 425.416.2473

[twahlquist@costco.com](mailto:twahlquist@costco.com)

\*\*\*

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Click [here](#) for our Global Sustainable Packaging site.

On Wed, Sep 2, 2020 at 12:25 PM Jessye Waxman <[jwaxman@greencentury.com](mailto:jwaxman@greencentury.com)> wrote:

Hi Tim,

Thank you for your quick reply, and what fortuitous timing that you had a meeting with Ms. Flies today. I think next week would be best for our meeting. Let me quickly coordinate with the other investors in the group to figure out which time works best. I'll plan to be in touch by tomorrow morning at the latest.

We look forward to speaking with you soon.

With thanks,

Jessye

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Jessye Waxman

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[114 State Street, Suite 200, Boston, MA 02109](#)

[www.greencentury.com](http://www.greencentury.com)

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**From:** Tim Wahlquist <[twahlquist@costco.com](mailto:twahlquist@costco.com)>

**Sent:** Wednesday, September 2, 2020 3:06 PM

**To:** Jessye Waxman <[jwaxman@greencentury.com](mailto:jwaxman@greencentury.com)>

**Cc:** GIUSEPPE BRESIN <[giuseppe.bresin@hsbc.com](mailto:giuseppe.bresin@hsbc.com)>; Pat Tomaino <[Pat@zevin.com](mailto:Pat@zevin.com)>; Natalie Wasek <[wasek.natalie@gmail.com](mailto:wasek.natalie@gmail.com)>; Sr. Sue Ernster <[sernster@fspa.org](mailto:sernster@fspa.org)>

**Subject:** Re: Requesting deforestation dialogue after filing shareholder resolution

Hi Jessye,

Sheri Flies and I can schedule a call with you to review our forestry work at Costco. Here are some blocks of times that we're available. I'm assuming a 30 minute call?

Please let us know which time works best for all of you soon so our calendars don't get double booked in the meantime.

All times below are Pacific

1. 9/3 3-5pm
2. 9/4 9-11am, 1:15-5pm
3. 9/10 1-5pm
4. 9/8 anytime after 11:15am - I'm on vacation but this is important so I can call in if this is the only time that works for you.

Thanks,

Tim Wahlquist

Costco Wholesale

Director of Responsible Sourcing & Packaging

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[twahlquist@costco.com](mailto:twahlquist@costco.com)

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Tim Wahlquist &lt;twahlquist@costco.com&gt;

---

**Re: Requesting deforestation dialogue after filing shareholder resolution**

1 message

---

**Tim Wahlquist** <twahlquist@costco.com>  
To: Jessye Waxman <jwaxman@greencentury.com>

Fri, Sep 4, 2020 at 1:41 PM

Hi Jessye,

Hopefully, one of the times I listed will work for you all. I forgot that we have our annual global warehouse managers conference the week of 9/14 so we are tied up in those virtual meetings that week.

Thanks,

Tim Wahlquist  
Costco Wholesale  
Director of Responsible Sourcing & Packaging  
Global Sustainability and Compliance  
Office 425.416.2473  
[twahlquist@costco.com](mailto:twahlquist@costco.com)

Internal Users:Click [here](#) for our [Global Buyer Sustainability site](#).Click [here](#) for our [Global Sustainable Packaging site](#).

On Fri, Sep 4, 2020 at 10:57 AM Tim Wahlquist &lt;twahlquist@costco.com&gt; wrote:

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Hi Tim,



Tim Wahlquist &lt;twahlquist@costco.com&gt;

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**Re: Requesting deforestation dialogue after filing shareholder resolution**

1 message

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**Tim Wahlquist** <twahlquist@costco.com>  
To: Jessye Waxman <jwaxman@greencentury.com>

Fri, Sep 4, 2020 at 9:33 AM

Hi Jessye,

Can you give me a call when you have a moment? My direct office line is 425.416.2473.

Thanks,

Tim Wahlquist  
Costco Wholesale  
Director of Responsible Sourcing & Packaging  
Global Sustainability and Compliance  
Office 425.416.2473  
[twahlquist@costco.com](mailto:twahlquist@costco.com)Internal Users:Click [here](#) for our [Global Buyer Sustainability site](#).Click [here](#) for our [Global Sustainable Packaging site](#).

----- Forwarded message -----

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**Date:** Fri, Sep 4, 2020 at 9:29 AM  
**Subject:** RE: Requesting deforestation dialogue after filing shareholder resolution  
**To:** Tim Wahlquist <[twahlquist@costco.com](mailto:twahlquist@costco.com)>  
**Cc:** GIUSEPPE BRESIN <[giuseppe.bresin@hsbc.com](mailto:giuseppe.bresin@hsbc.com)>, Pat Tomaino <[Pat@zevin.com](mailto:Pat@zevin.com)>, Natalie Wasek <[wasek.natalie@gmail.com](mailto:wasek.natalie@gmail.com)>, Sr. Sue Ernster <[sernster@fspa.org](mailto:sernster@fspa.org)>

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With thanks,

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Tim Wahlquist &lt;twahlquist@costco.com&gt;

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**RE: Requesting deforestation dialogue after filing shareholder resolution**

1 message

**Jessye Waxman** <jwaxman@greencentury.com>

Wed, Sep 2, 2020 at 12:25 PM

To: Tim Wahlquist &lt;twahlquist@costco.com&gt;

Cc: GIUSEPPE BRESIN &lt;giuseppe.bresin@hsbc.com&gt;, Pat Tomaino &lt;Pat@zevin.com&gt;, Natalie Wasek &lt;wasek.natalie@gmail.com&gt;, "Sr. Sue Ernster" &lt;sernster@fspa.org&gt;

Hi Tim,

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Hi Jessye,

My VP Sheri Flies (pronounced Fleece) and I can schedule a call with you to review our forestry work at Costco. Here are some blocks of times that we're available. I'm assuming a 30 minute call?

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Thanks,

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[twahlquist@costco.com](mailto:twahlquist@costco.com)

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Click [here](#) for our Global Sustainable Packaging site.

On Wed, Sep 2, 2020 at 11:01 AM Tim Wahlquist <[twahlquist@costco.com](mailto:twahlquist@costco.com)> wrote:

Hi Jessye,

Did I misplace a previous email of yours? Working from home with two toddlers took its toll. I'm back in the office now.

Yes, we've received the shareholders proposal. Much of our forestry work can be found on our [Sustainability Commitment](#) Environmental page as well as [Kirkland Signature page](#). (96% RSPO palm for private label items, 100% forest certification for private label paper-based items and all outdoor furniture, 110k shade trees planted in our Ivory Coast cocoa supply chain in last two seasons, we don't source beef from Brazil, private label soy items are sourced in low risk deforestation countries US/Canada, we're increasing/optimizing recycled fiber use in the items that it makes sense in such as packaging, etc). I'm in the middle of updating all of these for our update that will be out in Dec/Jan.

Did you have specific questions after viewing that? I realize it's not this easiest site to navigate and we're trying to improve it.

I have a previously scheduled meeting today with our SVP of Legal to discuss forestry. I'll let him know of your inquiry and see if he wants to schedule a meeting.

Thanks,

Tim Wahlquist

Costco Wholesale

Director of Responsible Sourcing & Packaging

Global Sustainability and Compliance

Office 425.416.2473

[twahlquist@costco.com](mailto:twahlquist@costco.com)

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On Wed, Sep 2, 2020 at 10:29 AM Jessye Waxman <[jwaxman@greencentury.com](mailto:jwaxman@greencentury.com)> wrote:

Hi Tim,

I hope this email finds you well. I am reaching out once again in hopes that we can find a time in the coming weeks to connect about Costco's efforts on deforestation. In the event that you are not aware, several of the firms copied on this email, Green Century included, have filed a shareholder resolution over outstanding concerns with how the company is handling deforestation-related risk.

We are hoping we can find to meet to discuss the Company's extant initiatives and planned next steps in the hope that we can find grounds to withdraw our resolution. Could you please let us know a few times this month that you, and other Costco representatives as necessary, could meet with us?

With thanks,

Jessye

-----

Jessye Waxman

Shareholder Advocate



Green Century Capital Management

(617)-482-0800 | [jwaxman@greencentury.com](mailto:jwaxman@greencentury.com)

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**Exhibit B**

**Forest Conservation Commitment**

# **Costco Wholesale's Forest Conservation Commitment: Kirkland Signature Raw Material Sourcing September 2020**

## **Background and Introduction**

Costco understands that it has a responsibility to source its products in a way that is respectful to the environment and to the people associated with that environment. Our goal is to help provide a net positive impact for communities in commodity-producing landscapes, by doing our part to help reduce the loss of natural forests and other high conservation value natural ecosystems. Deforestation is occurring at a rapid rate due to the conversion of natural forest landscapes to land used for growing livestock and agriculture. These natural ecosystems provide high environmental and social value, including habitat for diverse animal species, carbon sinks and long-term livelihoods for human populations living in and near these forests.

We believe that our most impactful first steps to help support good forest stewardship practices and to protect forests are to (1) source our wood, paper, and fiber-based products from responsibly managed and certified forests, and (2) use recycled content and alternative fibers when feasible.

Costco currently accepts forest management certifications from three leading organizations: Forest Stewardship Council (FSC), Sustainable Forestry Initiative (SFI) or Programme for the Endorsement of Forest Certification (PEFC), with a preference for FSC. The certification is dependent upon numerous factors, some of which include the currently available supply for each product, the geographic origin of the product, and the country where the product is produced. These certifications help to ensure that the needs of the forest ecosystems and their communities are balanced with conservation of our forests for future generations.

As a first step, while we desire all products to be sourced this way and encourage our suppliers to follow this goal, we have focused our efforts on our Kirkland Signature products.

## **Commitment**

Five key commodities in our Kirkland Signature supply chains top the list of commodities contributing to deforestation: palm oil, wood/pulp/paper, soy, cocoa, and beef. We are committed to eliminating deforestation in these raw materials and products.

**Palm Oil:** Costco Wholesale remains committed to ensuring that the palm oil added to our Kirkland Signature products is responsibly and sustainably sourced. To this end, we will continue to work with our suppliers to move toward Roundtable on Sustainable Palm Oil

(RSPO) certified (or equivalent) palm oil, palm kernel oil and palm oil derivatives (“palm oil”). Our goal is that all palm oil added to Kirkland Signature products will be 100% RSPO certified (or equivalent) by 2021. Our goal is to source Identity Preserved, Segregated and/or Mass Balance certified palm oil over Book & Claim certified palm oil. As of 2019, 96% of the palm oil in Kirkland Signature products was RSPO certified and only 2% of that was Book & Claim.

[Costco Palm Oil Policy 2015](#)

**Wood/Pulp/Paper:** Costco Wholesale remains committed to sourcing from certified forests all of its wood, pulp and paper products. All teak sold at Costco is FSC 100% certified. Costco sells other FSC-certified solid wood products, which include cedar wood playsets, gazebos, bee houses, outdoor furniture, and pavilions.

Kirkland Signature paper based products are also sourced from certified forests:

- Bath tissue, paper towel, napkin, facial tissue, parchment paper, gift wrap, are certified by FSC, SFI, or PEFC.
- Register tape used in our U.S. and Canadian warehouses and gas stations is FSC certified, and we are working to expand that to all warehouses worldwide.
- The Costco Connection magazine, which includes all of our global editions, Costco Today and Multi Vendor Mailers are certified by FSC, PEFC or SFI.

We recently identified Kirkland Signature Photo Paper being sold online that is not currently certified but we are working to address that gap.

Costco remains committed to sourcing its fiber from recycled content and certified forest management programs. To reduce our use of virgin fiber, we will maintain a preference for recycled fiber where feasible and where we believe it is a more sustainable alternative to virgin fiber. The final choice of fiber will be determined by quality and food safety requirements, product specification and performance, and legal requirements.

Costco aims to increase recycled content in our paper packaging. Examples include:

- In 2019, our ecommerce shipping boxes for Costco-fulfilled items for the U.S. from Costco.com were converted to boxes made from 100% recycled content and are themselves fully recyclable.
- In FY 2020, our Canadian ecommerce shipping boxes for Costco-fulfilled items are now at least 30%.
- All U.S. Costco Food Courts are transitioning to a pizza box made from 100% recycled content.

[Costco Packaging Sustainability.](#)

**Soy:** Costco will continue to source Kirkland Signature soy-based products, such as Kirkland Signature Soybean Oil & Kirkland Signature Organic Soy Milk from sources that are deforestation free.

**Cocoa:** Costco will continue to support efforts to eliminate deforestation in cocoa production. We are aware that the Ivory Coast has lost 80% of its forests in the last 50 years and that cocoa production is one of the drivers of that loss. The majority of cocoa sourced for Kirkland Signature chocolate products is from Costco's Sassandra Cocoa program, located in the Ivory Coast. Costco has recently funded the replanting of 110,000 trees in the Ivory Coast to facilitate reforestation efforts. By 2021, all cocoa farmers in the program should have their farms GPS polygon mapped for monitoring and to be sure they are not located in protected forests.

[Costco's Sassandra Cocoa program](#)

**Beef:** Costco remains committed to sourcing Kirkland Signature beef items, including in our meat case, from sources that are deforestation free. Costco does not source Kirkland Signature beef from Brazil.

We expect to update our commitment in the future as additional information becomes available and will consider additional commodities for future inclusion. Costco will continue to collaborate with multi-stakeholder, non-governmental, industry and other organizational efforts to further define and achieve deforestation-free sourcing. We expect our suppliers to report to us the relevant sourcing information to inform progress on this commitment, including certification details. Costco will communicate progress on this commitment in our annual Costco Sustainability Commitment report.

Certain statements contained in this Forest Conservation Commitment constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For these purposes, forward-looking statements are statements that address activities, events, conditions or developments that the Company believes or anticipates may occur in the future. Such forward-looking statements involve risks and uncertainties that may cause actual events, results or performance to differ materially from those indicated by such statements. Statements contained in this document are aspirational and relate to the manner in which the Company currently intends to conduct certain of its activities, based on its management's current plans and expectations. These statements are not promises, guarantees, or statements on which you should rely with respect to the Company's conduct or policies, and are subject to a variety of risks and uncertainties, some of which may be material and/or beyond the Company's control. These risks and uncertainties include, but are not limited to, domestic and international economic conditions, including exchange rates, the effects of competition and regulation, uncertainties in the financial markets, consumer and small business spending patterns and debt levels, breaches of security or privacy of member or business information, conditions affecting the acquisition, development, ownership or use of real estate, capital spending, actions of vendors, rising costs associated with employees (generally including health care costs), energy and certain commodities, geopolitical conditions (including tariffs), the ability to maintain effective internal control over financial reporting, the impacts of the Covid 19 pandemic and other health crises, and other risks identified from time to time in the Company's public statements and reports filed with the Securities and Exchange Commission. Forward-looking statements speak only as of the date that they are made, and the Company does not undertake to update them, except as required by law.

**Exhibit C**

**Climate Action Plan**

# Costco Wholesale Climate Action Plan

## September 2020

### Introduction

Doing the right thing—for our members, employees, investors, and the health of our global community -- is a driving force for continuous improvement at Costco. At today's rate of growth of global carbon dioxide equivalent (CO<sub>2</sub>e) emissions, the negative effects of climate change (e.g., extreme weather events, ocean acidification, wildfires, sea level rise, resource scarcity, forced migration, racial injustice, economic inequality, etc.) will likely cause the greatest disruption to life in human history. We recognize that proportional action to address Costco's environmental and social impact is both a business imperative and the right thing to do. We are assessing the materiality of United Nations Sustainable Development Goals (SDGs) to Costco's business in order to commit to high-priority, specific, actionable SDGs and metrics as our overarching plan.

Over the next four fiscal years (2021-2024), Costco will be implementing a series of standards, metrics, and goals to build a holistic Environmental, Social and Governance (ESG) strategy. Meaningful climate action is a central pillar in that work. Our plan prioritizes the mitigation of historical CO<sub>2</sub>e emissions relative to a base year. In addition, we will build on our progress to date to develop a formal, multi-year Climate Action Plan focused on specific interventions aimed at addressing the climate impacts attributed to our global operations and supply chains.

### Progress to Date

In recognition of the business imperative to address climate change, in fiscal year 2020 we substantially accelerated efforts to better understand, assess, quantify, and execute on action associated with our Scope 1 (direct emissions within our operations), Scope 2 (indirection emissions from energy usage), and Scope 3 (emissions outside of our operations such as waste and supply chain) CO<sub>2</sub>e footprint and our overarching response to climate change. We initiated a comprehensive review of our internal data and system requirements; operational issues and impacts; global best practices; competitive forces; and regulatory, financial, supply chain, and reputational risk. The results of this detailed review will help us to better understand the implications of climate and sustainability commitments on Costco's business, members, employees, shareholders, suppliers and communities.

### Environmental Compliance, Water, Waste, and Scope 1 and 2 Emissions

We recently completed an internal analysis that shows warehouse energy and refrigeration emissions account for more than 75 percent of our current Scope 1 and 2 carbon emissions. This key information enables us to immediately begin addressing major opportunities for CO<sub>2</sub>e reductions in our operations. We are not delaying front-line action to reduce our global carbon emissions as we build a more comprehensive strategic framework.

We are building on our existing environmental compliance platform through the new Sustainability Technical Assistance Report (STAR) to formalize standards and requirements in five key focus areas below. The STAR is being rolled out in September 2020 across the United

States. By working toward STAR goals, Costco is building the capabilities to track compliance and dynamically monitor resource use at all our warehouses—at an individual and aggregate level. Our aim is to integrate the people, systems, policies, data, and standard operating procedures in support of the following five focus areas:

1. Environmental Compliance – In the United States, all regions have a dedicated Environmental Sustainability and Compliance Manager, as do ancillary business departments. Each international region also has personnel dedicated to supporting our Environmental Sustainability and Compliance goals. We hosted the 2nd Annual Global Environmental Compliance Summit in January 2020 and intend to continue these summits each year. As of September 1, 2020 we have begun to use the STAR to ensure regulatory compliance for our business, starting with the United States.
2. Water – We are building a dashboard to track water usage by warehouse. Our Key Performance Indicator (KPI) for minimizing water use will be gallons consumed per square foot per month. Once rolled out worldwide, our system will measure water consumption and identify water leaks. Accountability for this work will be managed by a new corporate position, the Water Structures and System Supervisor, and included in warehouse management KPIs.
3. Energy – Fully utilizing our energy management system in place in all North American warehouses allows Costco to build a dashboard for tracking kilowatt hours (kWh) of energy consumed by location. Our aggressive efforts at data collection to date have shown that 77% of purchased electricity goes directly to refrigeration and HVAC in our warehouses, which led to the development of our Global Refrigeration & HVAC Plan in July 2020, to improve energy efficiency in these areas. As state and local governments further strengthen regulatory obligations in this key area, we will strive to be in front of government mandates.
4. Waste – To continue progressing toward our global goal of diverting 80% of food and nonfood waste from our warehouses to minimize waste in landfills worldwide, we are developing a waste tracking system with an external vendor. This effort is being supplemented by our larger efforts to support circularity initiatives, such as: (1) our test partnership with AgroThrive, through which organic waste from producing products for Kirkland Signature products, is collected and taken through a progressive digestion process to create fertilizer that is then sold to Costco members; and (2) our new partnership with one of our plastic pallet suppliers, which is using our pharmacy plastic stock bottles to create new plastic pallets.
5. Emissions – We have quantified location-specific Scope 1 emissions; next we are establishing our baseline for Scope 1 and 2. More information is set forth in the 10 Point Climate Action Plan below.

### Scope 3

During the summer of 2020, we explored Scope 3 emissions with select suppliers from three supply chains (produce, textiles, and paper products) to help us: more thoroughly understand supplier engagement opportunities and the current challenges; develop realistic timelines; begin to set priorities and to determine the resources needed; and begin to prioritize and develop a



globally-scalable Scope 3 plan. We also intend to start measuring Scope 3 emissions from our operational waste by December 2023.

## **10-Point Climate Action Plan**

Our intent is to design, develop, and recommend formal climate goals, including targets for the absolute reduction of enterprise-wide CO<sub>2</sub>e emissions from a Fiscal Year 2020 baseline. We also plan to develop facility-level Scope 1 and 2 targets, categorized by operational type (e.g., retail locations, manufacturing facilities and depot and distribution facilities). By December 2022, we intend to outline the specific actions needed to meet these goals and targets.

Our Climate Action Plan integrates the range of global sustainability issues into a coordinated and comprehensive roadmap. The plan builds on our progress to date to identify time-bound ESG commitments and prioritize the capital and operational investments required to deliver on them. In our pursuit of operational level metrics, we will utilize several reporting frameworks to share our results. Over the next four years, we will begin implementing a phased reporting methodology grounded in three commonly accepted frameworks: the United Nations Sustainable Development Goals (SDGs), Sustainability Accounting Standards Board (SASB), and the Task Force on Climate Related Financial Disclosures (TCFD). We will start with the UN SDGs to align all our current progress under a single framework to consider future investment decisions. We will seek to build capacity, change and broaden mindsets, and learn what solutions are most cost-effective through an agile program development approach.

Additional detail on our 10-Point Climate Action Plan is below:

#	Target Actions	Key Milestone(s)	Est. Milestone Date(s)
<b>GLOBAL FRAMEWORK</b>			
1	<b>Assess the materiality of United Nations Sustainable Development Goals (SDGs)</b> to Costco's business, including quantification of material climate risks to the business, and commit to high-priority, specific, and actionable SDGs and metrics.	<ol style="list-style-type: none"> <li>Develop commitment to priority SDG's and metrics</li> <li>Align ESG program to priority SDGs and metrics; measure and report progress</li> </ol>	<ol style="list-style-type: none"> <li>Dec 2021</li> <li>Ongoing</li> </ol>
<b>GLOBAL CONTEXT</b>			
2	<b>Confirm climate change regulatory requirements</b> via a global legal and policy landscape assessment.	Complete global climate change regulatory landscape assessment	Dec 2020
3	<b>Conduct a global review of company, industry, and market climate alliances</b> (including projects, plans, and organizational structures) to benefit from evidence-based, scientifically-valid best practices with an emphasis on diversity and inclusion.	Complete global review of climate alliances and best practices	Dec 2021
<b>CORE CAPABILITIES</b>			
4	<b>Identify the core capabilities (e.g., technology, data, processes, systems, and expertise) we need to build</b> to deliver on our Climate Action Plan.	Complete internal capabilities gap assessment	Dec 2021
<b>BASELINES AND EDUCATION</b>			
5	<b>Assess and validate our FY20 enterprise-wide energy, water, waste, and emissions baseline data sets.*</b> *We will evaluate facility-level data based upon operational use, such as retail warehouse locations, depots and distributions centers, and manufacturing. <i>NOTE: Costco will only commit to absolute reduction targets after we complete this assessment, analyze year-over-year trends, and confirm the global climate change legal and regulatory landscape.</i>	<ol style="list-style-type: none"> <li>Establish a reliable enterprise-wide energy, water, waste and emissions baseline data sets for FY20</li> <li>Publish 2020 data to the CDP</li> </ol>	<ol style="list-style-type: none"> <li>Aug 2021</li> <li>Aug 2021</li> </ol>
6	<b>Develop and implement a plan to address energy and refrigeration</b> as essential parts of our warehouse footprint that have a substantial, outsized impact on our carbon footprint.	<ol style="list-style-type: none"> <li>Energy and Refrigeration Assessment complete</li> <li>Begin Energy and Refrigeration Plan implementation</li> </ol>	<ol style="list-style-type: none"> <li>Dec 2021</li> <li>Jan 2022</li> </ol>
7	<b>Create accountability through incentive pilots and recurring employee communications</b> that build capacity, promote behavior change and foster a culture of continuous learning that accelerate our Plan.	<ol style="list-style-type: none"> <li>Implement US Warehouse ESG Dashboards</li> <li>Implement internal ESG-related recognition pilots</li> <li>Create and implement Climate Action Plan employee education and awareness</li> <li>Develop Global Warehouse ESG Dashboards</li> </ol>	<ol style="list-style-type: none"> <li><b>US ESG Dashboards</b> <ul style="list-style-type: none"> <li>Environmental Compliance: Dec 2021</li> <li>Water: Dec 2021</li> <li>Energy: Dec 2022</li> <li>Waste: Dec 2023</li> <li>Emissions: Dec 2023</li> </ul> </li> <li>Dec 2021</li> <li>Dec 2021</li> <li>Dec 2024</li> </ol>
<b>COMMITMENT</b>			
8	<b>Confirm multi-year Scope 1 and 2 absolute carbon dioxide equivalent emissions reduction commitments</b> and specific actions to meet those goals after analysis of 3-year emission trends (FY19-21).	Publish commitments and action plan	Dec 2022
<b>UNDER REVIEW</b>			
9	<b>Examine Scope 3 best practices, trends, &amp; opportunities</b> to address supply chain emissions, building off existing waste-to-landfill and closed loop product pilot programs.	Ongoing	Ongoing
10	<b>Examine ESG reporting methodologies, best practices, trends, &amp; opportunities</b> with emphasis on Sustainability Accounting Standards Board (SASB) and Task Force on Climate-related Financial Disclosures (TCFD).	Ongoing	Ongoing

Certain statements contained in this Climate Action Plan constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For these purposes, forward-looking statements are statements that address activities, events, conditions or developments that the Company believes or anticipates may occur in the future. Such forward-looking statements involve risks and uncertainties that may cause actual events, results or performance to differ materially from those indicated by such statements. Statements contained in this document are aspirational and relate to the manner in which the Company currently intends to conduct certain of its activities, based on its management's current plans and expectations. These statements are not promises, guarantees, or statements on which you should rely with respect to the Company's conduct or policies, and are subject to a variety of risks and uncertainties, some of which may be material and/or beyond the Company's control. These risks and uncertainties include, but are not limited to, domestic and international economic conditions, including exchange rates, the effects of competition and regulation, uncertainties in the financial markets, consumer and small business spending patterns and debt levels, breaches of security or privacy of member or business information, conditions affecting the acquisition, development, ownership or use of real estate, capital spending, actions of vendors, rising costs associated with employees (generally including health care costs), energy and certain commodities, geopolitical conditions (including tariffs), the ability to maintain effective internal control over financial reporting, the impacts of the Covid 19 pandemic and other health crises, and other risks identified from time to time in the Company's public statements and reports filed with the Securities and Exchange Commission. Forward-looking statements speak only as of the date that they are made, and the Company does not undertake to update them, except as required by law.