



September 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 Trillium Asset Management LLC**

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 Trillium Asset Management LLC, on behalf of the Plymouth Congregational Church of Seattle and Sada M. Geuss IRA Rollover (collectively, 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 S. Sullivan". The signature is stylized and written in a cursive-like font.

John Sullivan  
Senior Vice President, General Counsel and  
Secretary

cc: Trillium Asset Management LLC



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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 Trillium Asset Management LLC**

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 Trillium Asset Management LLC, on behalf of the Plymouth Congregational Church of Seattle and Sada M. Geuss IRA Rollover (collectively referred to as the "Proponent"), by letter dated August 12, 2020.

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 proposal sets forth the following resolution to be voted on by shareholders at the Annual Meeting:

**“Resolved:** Shareholders request Costco issue a report, at reasonable cost and omitting proprietary information, describing if, and how, it plans to measure and reduce its total contribution to climate change, including emissions from its supply chains, and align its operations with the Paris Agreement’s goal of maintaining global temperature increases well below 2 degrees Celsius.”

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 its proxy materials for its 2021 annual meeting pursuant to Rule 14-8(i)(10) because Costco has substantially implemented the proposal.

## ANALYSIS

### **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).

The Staff has consistently permitted exclusion under Rule 14a-8(i)(10) of shareholder proposals that, like the proposal, request a report containing information that the company has already publicly disclosed. Proposals requesting reports on “if and how” a company plans to align with the Paris Agreement’s goals have been excluded on substantial implementation grounds where the company has stated its support of the aim of the Paris Agreement and has disclosed the steps it has taken to evaluate and reduce emissions. In *Hess Corp.* (Apr. 9, 2020), for example, the Staff concurred in the exclusion of a proposal requesting a report describing “if and how” the company “plans to reduce its total contribution to climate change and align its operations and investments with the Paris Agreement[,]” where the company had produced reports describing the company’s “five-pronged climate change strategy that would prepare the company to operate in a lower carbon environment by lowering GHG emissions in alignment with the well below 2°C Goal.” See *Devon Energy Corp.* (Apr. 1, 2020) (exclusion of proposal where the company’s disclosures addressed the measures being taken to reduce its total contribution to climate change and the resulting impact on its operations and investments); *Exxon Mobil Corp.* (Mar. 20, 2020) (same); *Chevron Corp.* (Mar. 20, 2020) (same); *Hess Corp.* (Apr. 11, 2019) (exclusion of a report on how the company could reduce its carbon footprint in alignment with greenhouse gas reductions where the company’s disclosures covered most, but not all, of the issues raised by the proposal); *Exxon Mobil Corp.* (Apr. 3, 2019) (same); *Wal-Mart Stores, Inc.* (Mar. 30, 2010) (exclusion of a proposal requesting that the company adopt six principles for national and international action to stop global warming, where the company published a report that set forth only four principles that covered most, but not all, of the issues raised by the proposal); *Alcoa Inc.* (Feb. 3, 2009) (exclusion of a proposal requesting a report that describes how the company’s actions to reduce its impact on global climate change may have altered the current and future global climate, where the company published general reports on climate change, sustainability and emissions data on its website).

*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 plans to measure and reduce its total contribution to climate change and align its operations with the Paris Agreement’s goal of maintaining global temperature increases well below 2 degrees Celsius (the “2°C Goal”). Based upon the Proponent’s supporting statement and the language of the proposal, Costco interprets the Proponent’s “underlying concern” to be the measures Costco is taking reduce its total contribution to climate change. As described further below, Costco’s Climate Action Plan<sup>1</sup> and the disclosures on its Greenhouse Gas Emissions webpage<sup>2</sup> (the “Climate Action Reports”) demonstrate that Costco has addressed the essential aspects and the underlying concerns of the proposal by detailing Costco’s strategy to reduce its contribution to climate change, as well as reporting on Costco’s tracking and reduction efforts to date.

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<sup>1</sup> <https://investor.costco.com/corporate-governance/highlights>; attached hereto as **Exhibit B**.

<sup>2</sup> <https://www.costco.com/sustainability-greenhouse-gas-emissions.html>

### Measuring Contributions to Climate Change

The Climate Action Reports directly address the proposal's request that Costco describe if, and how, it plans to measure its contribution to climate change. The Climate Action Plan details that meaningful climate action is a central pillar of the Company's Environmental, Social and Governance (ESG) strategy that will be built over the next four fiscal years (2021 - 2024) and will contain a standards, metrics and goals. The planned reporting methodology will be 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). Costco will start with the SDGs to align its current progress under a single framework, but will seek to build capacity, change mindsets and learn what solutions are most cost-effective.

Costco is committed to building on its progress to date with a formal, multi-year Climate Action Plan, focused on specific interventions to address the climate impacts attributed to Costco's global operations and supply chains. The Climate Action Plan describes that Costco intends to "design, develop, and recommend formal climate goals, including *targets for the absolute reduction of enterprise-wide [carbon dioxide equivalent (CO<sub>2</sub>e)] emissions from a Fiscal Year 2020 baseline*" (emphasis added). Costco plans "to develop *facility-level Scope 1 and 2 targets, categorized by operational type* (e.g., retail locations, manufacturing facilities and depot and distribution facilities)" (emphasis added) and to outline the specific actions needed to meet these goals and targets by December 2022. Costco's 10-Point Climate Action Plan covers target actions, key milestones, and estimated milestone date(s) that contain specificity such as "[a]ssess and validate our FY20 enterprise-wide energy, water, waste, and emissions baseline data sets" (with two key milestones that have an estimated completion date of August 2021) and "[d]evelop and implement a plan to address energy and refrigeration as essential parts of our warehouse footprint that have a substantial, outsized impact on our carbon footprint" (with two key milestones in December 2021 and January 2022).

Costco's Greenhouse Gas Emissions webpage describes the baseline metric that Costco maintain its carbon footprint growth to less than its sales growth. As shown on the webpage, the delta shows that actions taken since 2016 have reduced Costco's contribution to climate change. In addition, this webpage describes that Costco's corporate energy program used to track greenhouse gas emissions was upgraded in FY 2018 to "include source data collection at the facility level for all regions of [Costco's] operations." Costco also "voluntarily participated in the Carbon Disclosure Project (CDP), established by the GHG Protocol Corporate Accounting and Reporting Standard . . . [and] Costco Wholesale reports Scope 1 and Scope 2 emissions to align with the Intergovernmental Panel on Climate Change (IPCC) and Reporting Standard."

The Climate Action Reports thus directly address the proposal's request regarding measuring contributions to climate change through detailing Costco's Climate Action Plan to develop formal climate goals that include targets for the reduction of CO<sub>2</sub>e emissions from a FY 2020 baseline and further disclosing Costco's current methods of measurement.

### Reducing Total Contribution to Climate Change

The proposal also requests that Costco report on how it plans to reduce its total contribution to climate change. The Climate Action Plan directly addresses this request, as it reviews how Costco plans to reduce its contribution to climate change. As described in the Climate Action Report, Costco substantially accelerated its efforts in FY 2020 to “better understand, assess, quantify, and execute” on its response to climate change. Costco plans to “commit to high-priority, specific, actionable [sustainable development goals] and metrics as [Costco’s] overarching plan” and will, over the next four years, implement a series of standards, metrics and goals for a holistic ESG strategy that prioritizes the mitigation of historical CO<sub>2</sub>e emissions relative to a base year. The Climate Action Plan includes meaningful and specific steps to implement this strategy to reduce total emissions.

Costco’s plan to reduce its total contributions to climate change builds off existing efforts that are already in place and already reducing Costco’s emissions. As disclosed on its Greenhouse Gas Emissions webpage, in 2019, Costco:

- Reduced its energy usage.
- Supported and explored alternative energy programs such as energy from solar and fuel cells.
- Improved its refrigeration management systems, and began to convert to refrigerants with a lower Global Warming Potential, including installing CO<sub>2</sub> systems.
- Expanded efficiencies in its transportation and logistics, which reduced the number of trucks on the road and fuel needed for the trucks used.
- Reduced the amount of waste to landfill through its expanding Waste Management Programs.
- Supported employee transportation programs to reduce the amount of cars on the road.

Many of these efforts are described in more detail in Costco’s webpages on Buildings,<sup>3</sup> Transportation & Logistics,<sup>4</sup> Waste Stream Management,<sup>5</sup> and also as aspects of product sustainability in its webpages on Kirkland Signature products,<sup>6</sup> Environmental Impacts & Land Stewardship,<sup>7</sup> and Packaging.<sup>8</sup>

The Climate Action Reports also detail Costco’s ongoing practices and operational efficiencies that control greenhouse gas emissions. For example, an internal analysis showed that warehouse energy and emissions account for more than 75 percent of Costco’s Scope 1 and Scope 2 CO<sub>2</sub>e emissions, which allowed Costco to immediately identify this as a major opportunity to reduce CO<sub>2</sub>e emissions in its operations and include it as an aspect of its Climate Action Plan. Further,

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<sup>3</sup> <https://www.costco.com/sustainability-buildings.html>

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

<sup>5</sup> <https://www.costco.com/sustainability-waste-stream-management.html>

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

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

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

with the roll out of the new Sustainability Technical Assistance Report (STAR) in September 2020, Costco has formalized standards and requirements in five key areas (environmental compliance, water, energy, waste, and emissions), that will allow Costco to better track compliance and monitor resource use.

#### Addressing Emissions from Supply Chains

One specific aspect of the proposal is that Costco report on if, and how, it plans to measure and reduce emissions from its supply chains. Costco reports in its Climate Action Report that it explored these emissions (Scope 3 emissions) with select suppliers from three supply chains (produce, textiles, and paper products) during the summer of 2020. Costco's aim in these efforts is to "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." Costco intends to measure Scope 3 emissions from its operational waste beginning in December 2023.

Costco's plans to measure and reduce Scope 1 and 2 emissions *do* already cover aspects of Costco's supply chain, because of Costco's vertical integration with its Kirkland Signature products (which, as the Proponent recognizes in the proposal, are a significant portion of Costco's total sales).

#### Aligning with the Paris Agreement's Goal

Finally, the proposal requests that Costco report on if, and how, it plans to "align its operations with the Paris Agreement's goal of maintaining global temperature increases well below 2 degrees Celsius." The Intergovernmental Panel on Climate Change's Special Report: Global Warming of 1.5°C has noted that "[t]here is no single, definitive pathway to limiting warming to 1.5°C."<sup>9</sup> As a result, many agree that there is no single definition of what it means to "align . . . operations with the Paris Agreement's goal of maintaining global temperature rise well below 2 degrees Celsius."

As described above and in summary, Costco:

- Has taken, and reports on, its efforts to reduce its operational emissions, including integrating efforts towards climate change goals in operational (e.g., buildings, transportation, waste stream) and product / supply chain (e.g., support of land stewardship and natural resource practices, packaging) aspects of its business.
- Reports on its carbon footprint, including showing year over year comparisons of CO<sub>2</sub>e emissions increases to sales increases, which allows stakeholders to confirm that Costco is maintaining a carbon footprint growth less than its sales growth.
- Accelerated efforts in FY 2020 to better assess and execute on its response to climate change.
- Published the Climate Action Plan.
- Plans to develop a holistic ESG strategy over the next four years, with climate change as a

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<sup>9</sup> See the Frequently Asked Questions in Chapter 2, *available at* <https://www.ipcc.ch/sr15/>.

- central pillar, that includes a series of standards, metrics and goals.
- Plans to develop formal climate goals, including targets for CO2e emissions from a 2020 baseline; facility-level Scope 1 and 2 targets, categorized by operational type; and a globally-scalable Scope 3 plan.

These efforts demonstrate Costco's commitment to lowering emissions in alignment with the 2°C Goal.

Based on all of these disclosures, Costco has substantially implemented the proposal's request to describe "if, and how, it plans to measure and reduce its total contribution to climate change including emissions from its supply chains, and align its operations with the Paris Agreement's goal of maintaining global temperature increases well below 2 degrees Celsius." As a result, Costco's actions implementing the proposal present precisely the scenario contemplated by the Commission when it adopted the predecessor to Rule 14a-8(i)(10) "to avoid the possibility of shareholders having to consider matters which already have been favorably acted upon by the management." 1976 Release. Accordingly, the essential objective and underlying concerns of the proposal have been satisfied and, for the reasons set forth above, the proposal may properly be excluded from Costco's proxy materials for its 2021 annual meeting under Rule 14a-8(i)(10).

#### 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: Trillium Asset Management LLC



**Exhibit A**

**Proposal and Related Correspondence**



August 12, 2020

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

Dear Mr. Sullivan,

Trillium Asset Management LLC ("Trillium") hereby submits the enclosed shareholder proposal with Costco Wholesale Corporation (Costco) on behalf of the Plymouth Congregational Church of Seattle and Sada M. Geuss IRA Rollover 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 Plymouth Congregational Church and Sada M. Geuss IRA Rollover each hold more than \$2,000 of Costco common stock, acquired more than one year prior to today's date and held continuously for that time. As evidenced in the attached letters, the Plymouth Congregational Church and Sada M. Geuss IRA Rollover will remain invested in this position continuously through the date of the 2021 annual meeting. We will forward verification of each position separately and will send a representative to the stockholders' meeting to move the shareholder proposal as required by the SEC rules.

We welcome the opportunity to discuss the subject of the enclosed proposal with company representatives.

Please direct any communications to me at (503) 953-8345, or via email at [apearce@trilliuminvest.com](mailto:apearce@trilliuminvest.com).

I would appreciate receiving a confirmation of receipt of this letter via email.

Sincerely,

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

Allan Pearce  
Director of Shareholder Advocacy  
Trillium Asset Management, LLC

**Whereas:**

Climate change presents systemic portfolio risks to investors; a warming climate contributes to supply chain disruptions, lost productivity, commodity price volatility, adverse human health impacts, and regulatory risk, among others. The widely recognized Paris Climate Agreement established the imperative to limit global temperature increases well below 2 degrees Celsius to prevent the worst impacts of climate change. Alarming, the most recent science shows achieving this goal is now “extremely unlikely.”<sup>1</sup> Thus, more urgent and ambitious action is needed from all sectors.

While Costco Wholesale Corporation (Costco) has adopted some initiatives to begin to address its climate impact, including installing renewable energy at some facilities, measuring its scope 1 and 2 carbon emissions, and working to reduce energy use, its measured carbon footprint continues to grow, up 6.5% in 2018 alone. Significantly, Costco has not measured the carbon footprint of its supply chains – called scope 3 emissions – that are often many times larger than a company’s direct footprint. Costco says its supply chain emissions are “relevant,” but it has not disclosed plans to measure or reduce them.

Agricultural supply chains are particularly susceptible to climate change. The 2018 National Climate Assessment found “climate change presents numerous challenges to sustaining and enhancing crop productivity, livestock health, and the economic vitality of rural communities,” and rising temperatures are “the largest contributing factor to declines in the productivity of U.S. agriculture.” Costco is heavily reliant on agriculture as it derived over 50% of its FY19 revenue from its “Food and Sundries” and “Fresh Foods” merchandise categories. Moreover, Costco’s Kirkland Signature brand accounts for roughly 25% of Costco’s total sales.<sup>2</sup> Thus, the impacts of climate change on, and the emissions generated from, Costco’s agricultural supply chains are major issues for the Company.

Several retailers and food-based businesses including Walmart, BestBuy, Target, McDonald’s, PepsiCo, Nestle, Mars, Kellogg, and Danone are not only measuring their full value chain emissions (scopes 1, 2, and 3) but are also pursuing long-term, science-based emissions reductions consistent with the goals of the Paris Climate Agreement.

Each company is implementing different strategies to achieve this common goal. Examples include working with farmers on low-carbon agricultural techniques, focusing resiliency efforts on at-risk producers, and collaborating with other companies to scale efforts.

Given the clear need for more urgent and ambitious action on climate change, proponents believe committing to measure and reduce Costco’s full value chain emissions footprint is a vital course of action that will help reduce risks associated with climate change, including

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<sup>1</sup> <https://www.wcrp-climate.org/news/science-highlights/1604-climate-sensitivity-2020>

<sup>2</sup> <https://www.businessinsider.com/costco-kirkland-brand-drives-growth-2019-3>

production and supply disruptions, and help prepare the Company for future carbon-related regulations.

**Resolved:** Shareholders request Costco issue a report, at reasonable cost and omitting proprietary information, describing if, and how, it plans to measure and reduce its total contribution to climate change, including emissions from its supply chains, and align its operations with the Paris Agreement's goal of maintaining global temperature increases well below 2 degrees Celsius.

Allan Pearce  
Shareholder Advocate  
Trillium Asset Management, LLC  
721 NW Ninth Ave  
Suite 250  
Portland, OR  
97209

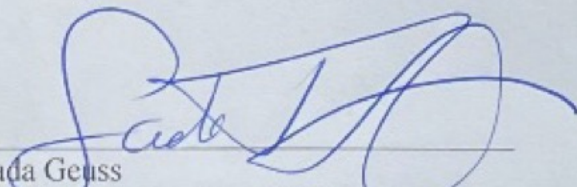
Dear Mr. Pearce:

I hereby authorize Trillium Asset Management, LLC to file a shareholder proposal on behalf of the Sada M. Geuss IRA Rollover at Costco Wholesale Corporation (Costco) on the subject of climate change.

The Sada M. Geuss IRA Rollover is the beneficial owner of more than \$2,000 of Costco common stock that it has held continuously for more than one year. The Sada M. Geuss IRA Rollover intends to hold the aforementioned shares of stock continuously through the date of the company's annual meeting in 2021.

I specifically give Trillium Asset Management, LLC full authority to deal, on behalf of the Sada M. Geuss IRA Rollover, with any and all aspects of the aforementioned shareholder proposal. I intend for all communications from the company and its representatives to be directed to Trillium Asset Management, LLC. I understand that my name may appear on the corporation's proxy statement as the filer of the aforementioned resolution.

Sincerely,

  
\_\_\_\_\_  
Sada Geuss  
Owner, Sada M. Geuss IRA Rollover

*August 10, 2020*  
\_\_\_\_\_  
Date

Allan Pearce  
Shareholder Advocate  
Trillium Asset Management, LLC  
721 NW Ninth Ave  
Suite 250  
Portland, OR  
97209

Dear Mr. Pearce:

I hereby authorize Trillium Asset Management, LLC to file a shareholder proposal on behalf of the Plymouth Congregational Church at Costco Wholesale Corporation (Costco) on the subject of climate change.

The Plymouth Congregational Church is the beneficial owner of more than \$2,000 of Costco common stock that it has held continuously for more than one year. The Plymouth Congregational Church intends to hold the aforementioned shares of stock continuously through the date of the company's annual meeting in 2021.

I specifically give Trillium Asset Management, LLC full authority to deal, on behalf of the Plymouth Congregational Church with any and all aspects of the aforementioned shareholder proposal. I intend for all communications from the company and its representatives to be directed to Trillium Asset Management, LLC. I understand that the Plymouth Congregational Church's name may appear on the corporation's proxy statement as the filer of the aforementioned resolution.

Sincerely,



Rev. Steven Davis  
Executive Minister  
Plymouth Congregational Church of Seattle

August 11, 2020  
Date

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

From: **Allan Pearce** <[APearce@trilliuminvest.com](mailto:APearce@trilliuminvest.com)>

Date: Wed, Aug 12, 2020, 10:20 AM

Subject: Filing Shareholder Proposal on Climate Change

To: John Sullivan <[jsullivan@costco.com](mailto:jsullivan@costco.com)>, [sflies@costco.com](mailto:sflies@costco.com) <[sflies@costco.com](mailto:sflies@costco.com)>, [dwsherwood@costco.com](mailto:dwsherwood@costco.com) <[dwsherwood@costco.com](mailto:dwsherwood@costco.com)>

Cc: Susan Baker <[SBaker@trilliuminvest.com](mailto:SBaker@trilliuminvest.com)>

Hi John, Sheri, and David,

I'm writing to file a shareholder proposal on climate change based on our most recent conversation and my follow up email of July 20. I've attached all of the documentation here. This includes a filing letter, the proposal, and the authorizations from our clients stating they will continue to hold the shares through the date of the annual meeting. I will follow up separately (probably in a week or two) with the custodial authorizations verifying each client has held the necessary shares for the requisite amount of time.

I am filing this electronically as I know you all may not be in the office as much as usual and thought this would be the easiest way to get it to you.

I look forward to continuing the conversation and better understanding Costco's future plans in regards to this proposal.

Thanks,

Allan Pearce

**Allan Pearce** | Shareholder Advocate

Trillium | Portland

P: 503-953-8345 | E: [APearce@trilliuminvest.com](mailto:APearce@trilliuminvest.com) | Fax: 617-482-6179



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Please see the [company website](#) for a full disclaimer.



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

From: **Allan Pearce** <[APearce@trilliuminvest.com](mailto:APearce@trilliuminvest.com)>  
Date: Wed, Aug 19, 2020 at 2:47 PM  
Subject: RE: Filing Shareholder Proposal on Climate Change  
To: John Sullivan <[jsullivan@costco.com](mailto:jsullivan@costco.com)>

Hi John,

Just a quick note today to share the custodial verifications that the clients mentioned in our filing letter hold the necessary shares to file a proposal under Rule 14a-8.

I've also attached a letter explaining the documentation as well as the original client authorization letters.

Please let me know if you have any questions.

Thanks,

Allan

**Allan Pearce** | Director of Shareholder Advocacy  
Trillium | Portland  
P: 503-953-8345 | E: [APearce@trilliuminvest.com](mailto:APearce@trilliuminvest.com) | Fax: 617-482-6179



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Please see the [company website](#) for a full disclaimer.

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**From:** Allan Pearce  
**Sent:** Wednesday, August 12, 2020 1:13 PM  
**To:** 'John Sullivan' <[jsullivan@costco.com](mailto:jsullivan@costco.com)>; 'sflies@costco.com' <[sflies@costco.com](mailto:sflies@costco.com)>; 'dwsherwood@costco.com' <[dwsherwood@costco.com](mailto:dwsherwood@costco.com)>  
**Cc:** Susan Baker <[SBaker@trilliuminvest.com](mailto:SBaker@trilliuminvest.com)>  
**Subject:** Filing Shareholder Proposal on Climate Change

Hi John, Sheri, and David,

I'm writing to file a shareholder proposal on climate change based on our most recent conversation and my follow up email of July 20. I've attached all of the documentation here. This includes a filing letter, the proposal, and the authorizations from our clients stating they will continue to hold the shares through the date of the annual meeting. I will follow up separately (probably in a week or two) with the custodial authorizations verifying each client has held the necessary shares for the requisite amount of time.

I am filing this electronically as I know you all may not be in the office as much as usual and thought this would be the easiest way to get it to you.

I look forward to continuing the conversation and better understanding Costco's future plans in regards to this proposal.

Thanks,

Allan Pearce



August 19, 2020

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

Dear Mr. Sullivan,

As stated in Trillium's filing letter dated August 12, 2020, and in accordance with the SEC Rules, please find the attached custodial letters from Charles Schwab documenting that the Plymouth Congregational Church and Sada M. Geuss IRA Rollover each holds sufficient company shares to file a proposal under rule 14a-8.

Also please note in the attached authorization letters that the Plymouth Congregational Church and Sada M. Geuss, the beneficial holders of the shares, intend to hold the shares through the date of the company's 2021 Annual Meeting.

Rule 14a-8(f) requires notice of specific deficiencies in our proof of eligibility to submit a proposal. Therefore we request that you notify us if you see any further deficiencies in the enclosed documentation.

Please direct any communications to me at (503) 953-8345; or via e-mail at [apearce@trilliuminvest.com](mailto:apearce@trilliuminvest.com).

Sincerely,

A handwritten signature in black ink that reads "Allan C Pearce".

Allan Pearce  
Director of Shareholder Advocacy  
Trillium Asset Management, LLC

The logo for Charles Schwab, featuring the word "charles" in a lowercase, italicized serif font above the word "SCHWAB" in a bold, uppercase sans-serif font, all contained within a black square.

August 14, 2020

Re: PLYMOUTH CONGREGATIONAL CHURCH OF SEATTLE Corp /Acct xxx- \*\*\*

This letter is to confirm that Charles Schwab & Co. holds as custodian for the above account at least 85 shares of COST common stock. These 85 shares have been held in this account continuously for at least one year prior to August 12, 2020.

These shares are held at Depository Trust Company under the nominee name of Charles Schwab and Company.

This letter serves as confirmation that the shares are held by Charles Schwab & Co, Inc.

Sincerely,

A handwritten signature in black ink, appearing to be "K. Jerry", written over a horizontal line.

Keith Jerry

Senior Team Manager



August 14, 2020

Re: SADA MARIE GEUSS Individual /Acct xxx- \*\*\*

This letter is to confirm that Charles Schwab & Co. holds as custodian for the above account at least 39 shares of COST common stock. These 39 shares have been held in this account continuously for at least one year prior to August 12, 2020.

These shares are held at Depository Trust Company under the nominee name of Charles Schwab and Company.

This letter serves as confirmation that the shares are held by Charles Schwab & Co, Inc.

Sincerely,

A handwritten signature in black ink, appearing to be "Keith Jerry", written over a horizontal line.

Keith Jerry

Senior Team Manager

**Exhibit B**

**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.