November 5, 2021

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, 2021 Relating to Shareholder Proposal Submitted by Green Century Capital Management, Inc.

Ladies and Gentlemen:

In a letter dated September 21, 2021, Costco Wholesale Corporation ("Costco") 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 Green Century Capital Management, Inc. may be omitted from Costco's proxy materials for its 2022 annual meeting of shareholders.

We hereby notify the Staff that Costco is withdrawing the request for a no-action letter, in light of recent relevant guidance from the Staff.

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.

Sincerely,

John Sullivan
Senior Vice President, General Counsel and Secretary

cc: Green Century Capital Management, Inc.

SANFORD J. LEWIS, ATTORNEY

PO Box 231
Amherst, MA 01004-0231
413 549-7333
sanfordlewis@strategiccounsel.net

October 12, 2021

Via electronic mail
Office of Chief Counsel
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Shareholder Proposal to Costco Wholesale Corporation Regarding Climate Change on Behalf of Green Century Balanced Fund

Ladies and Gentlemen:

Green Century Capital Management, Inc. on behalf of the Green Century Balanced Fund (the "Proponent"), the beneficial owner of common stock of Costco Wholesale Corporation (the "Company"), has submitted a shareholder proposal (the "Proposal") to the Company. I have been asked by the Proponent to respond to the letter dated Sept. 21, 2021 ("Company Letter") sent to the Securities and Exchange Commission by John Sullivan. In that letter, the Company contends that the Proposal may be excluded from the Company's 2022 proxy statement. A copy of this letter is being emailed concurrently to John Sullivan.

SUMMARY

The proposal requests that the Company adopt short, medium and long-term science-based greenhouse gas (GHG) emission reduction targets, inclusive of emissions from its full value chain, in order to achieve net zero emissions by 2050 or sooner and to effectuate appropriate emissions reductions prior to 2030.

The Company Letter asserts that the proposal micromanages the Company's day-to-day operations. To the contrary, the Proposal addresses at a *macro* level the Company's response to the critical public policy issue of climate change. While the Company has established a Climate Action Plan, the Company's aspirations, commitments and actions to date significantly lag global goals as well as those of its peers. This advisory proposal provides an opportunity for the Company's shareholders to assess current Company efforts and to signal whether the Company's investors believe there is a need for the Company to step up its efforts by committing to benchmarks established by a wide array of global investors and climate experts.

Climate change has long been recognized as a significant policy issue that transcends ordinary business. The question presented by the current no action challenge is whether a climate change proposal can request on an advisory basis that a company set goals aligned with global climate benchmarks, specifically achieving net zero greenhouse gas emissions by 2050. Most importantly, the question is whether such an advisory request can be made even at a company at which management already claims to be engaged in complex planning and data gathering processes on climate change, albeit at a much slower pace than that required to align with the globally recognized benchmarks.

The Proposal is not overly granular in its request and therefore does not micromanage. The Proposal is pitched at precisely the appropriate level of detail - at which investors worldwide are engaging and deliberating. The question of whether the Company should set targets aligned with achieving net zero emissions by 2050 is a matter on which shareholders are well equipped to make an informed judgment.

The Company can publish in its opposition statement all of the arguments presented in the no action request, including its considered explanation as to why management prefers its existing climate ambitions and trajectory to the one proposed by the Proponent. In its opposition statement, the Company can readily assert that it already has a Climate Action Plan in which goal setting will be undertaken in due course, that goal setting for its supply chain will await the "maturation" of upstream and downstream efforts, and that the Company wants to wait until evolving regulatory positions of global and national standard-setters resolve.

Investors are clearly able to consider and weigh these Company arguments against the compelling argument by the Proponent that there is sufficient global consensus and urgency; that global standards will continue to evolve for the foreseeable future, making delay inappropriate; and that sufficient benchmarks have been laid down by the investment community and by Company peers. The Proponent can add the business and sustainability arguments that a clear commitment to targets aligned with global goals can help to ensure that the Company's operations and business activities are future-ready. Moreover, board and management discretion remain unfettered by this advisory proposal. Even in the face of a majority vote, the board and management are free to implement, or not implement, the recommendations of the investors as they see fit.

Shareholders, rather than SEC Staff, are better positioned to evaluate and to provide their advisory perspective as to whether the board and management's efforts are sufficient. With benchmarks established by scientific consensus and agreed upon by nearly every government globally, these climate readiness considerations have moved into the spotlight for investors, toward the highest priority and greatest scrutiny in proxy voting, especially for institutional investors with a fiduciary duty to consider the interests of their long-term beneficiaries and portfolio-wide impacts.

Therefore, the Proposal does not micromanage and is not excludable pursuant to Rule 14a-8(i)(7).

THE PROPOSAL

Whereas: In 2018, the Intergovernmental Panel on Climate Change advised that greenhouse gas emissions must be halved by 2030 and reach net zero by 2050 to limit warming to 1.5°C, prevent the worst consequences of climate change, and meet the goals of the Paris Agreement.

Companies must act rapidly to reduce emissions in line with these science-based goals, as recent studies show that limiting warming below 1.5°C is now "extremely unlikely."

Costco Wholesale Corporation (Costco) uses palm oil, soy, cattle, cocoa, and pulp/paper in its products. These commodities are leading drivers of deforestation, which accounts for over 10 percent of global greenhouse gas emissions.

In its 2020 10-K, Costco acknowledges that "climate change, extreme weather conditions, and rising sea levels could affect our ability to procure commodities at costs and in quantities we currently experience." Furthermore, Costco identifies a "highly competitive" retail marketplace and failure to respond to changing consumer preferences, "including those relating to sustainability," as risk factors.

Costco claims to prioritize "the mitigation of Scope 1, 2 and 3 CO2e emissions" and to focus on "addressing the climate impacts attributed to our global operations and supply chains." However, Costco's absolute Scope 1 and 2 emissions have increased in each reported year since 2016. Worryingly, Costco does not plan to announce Scope 1 and 2 emissions reduction targets until December 2022 and has no time-bound plans to measure, disclose, or set reduction targets for its Scope 3 emissions.

Scope 3, or value chain, emissions are likely to be Costco's greatest source of emissions. Walmart, a Costco competitor, discloses that Scope 3 emissions make up 95% of its total emissions. If the Company is to accelerate emissions reductions consistent with global goals, halving GHG emissions by 2030, it must act broadly and expeditiously.

Competing retailers and food companies, including Walmart, BestBuy, Target, McDonald's, PepsiCo, Nestle, and Kellogg, measure their Scope 1, 2, and 3 emissions and are pursuing science-based emissions reductions consistent with the goals of the Paris Agreement. Failure to keep pace with competitors and anticipate regulatory changes may pose material risks to Costco, including restricted market share, inability to meet government mandates, and reputational damage.

Resolved: Shareholders request that Costco adopt short, medium, and long-term science-based greenhouse gas emissions reduction targets, inclusive of emissions from its full value chain, in order to achieve net zero emissions by 2050 or sooner and to effectuate appropriate emissions reductions prior to 2030.

Supporting Statement: In assessing targets, we recommend, at management's discretion:

- Consideration of approaches used by advisory groups such as the Science Based Targets initiative;
- Adopting emissions reduction targets inclusive of all GHG Protocol-defined sources of Scope 3 emissions – including from agriculture, land use change, and deforestation – that align with limiting temperature increases to 1.5°C;
- Disclosing these targets to investors at least 180 days prior to the next annual meeting.

ANALYSIS

<u>I. Reconsidering the Rationale of Net Zero and "Paris Aligned" Exclusions</u>

The Company Letter focuses on the Company's existing "carefully considered" Climate Action Plan as developed by board and management, and asserts that the Proposal presents "arbitrary" demands to alter that plan:

> The proposal's demand that Costco establish arbitrary time-bound short, medium and long-term targets to achieve net zero emissions by 2050 and effectuate appropriate emissions reductions prior to 2030 would require a wholesale departure from Costco's carefully considered approach.

As will be demonstrated below in a subsequent section, the Company's existing Climate Action Plan has significant shortcomings when compared against market expectations and peer activities. It is not micromanagement for a proposal to ask a company to step up its climate strategy consistent with those external considerations. Framing the proposal around targets and global benchmarks represents the best available way for shareholders to express the need for the company to step up the scale and pace of activity.

The Company Letter cites a series of recent exclusions by the Staff. The climate proposals cited by the Company that were allowed to be excluded in recent years based on micromanagement involved advisory proposals asking a company to develop greenhouse gas targets aligned with particular external policy or scientifically designated goals, e.g. net zero by 2050 or alignment with the Paris agreement temperature goals.

These no action decisions allowed exclusion typically based on either the stated rationale of the Staff that the proposals were **"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."** *EOG Resources* (February 26, 2018, recon. den. March 12, 2018) *JB Hunt Transportation Services* (Feb. 14, 2019), or that shareholders overstepped the discretion of the Board. e.g. *Wells Fargo* (March 5, 2019).

<u>Investors are capable of making the needed assessment</u>

In terms of the first argument regarding whether shareholders are in a position to make an informed judgment, assessment of whether shareholders can do so will vary over time depending on the relative level of knowledge and focus of investors on the related issues. Today, it is clear that shareholders are capable of making such an informed judgment on the current proposal.

Whatever the average insight of investors as a group into such matters was in 2017 to 2019, there should be no doubt today that from BlackRock down to retail investors, the question of whether the company has a plan to achieve net zero GHG goals is no longer out of reach of understanding and interest for the majority of shareholders. To the extent that these issues may have seemed out of the collective intellectual grasp for investors in the past ("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") it is no longer credible to claim that shareholders as a group are not in a position to make an informed judgment on these issues. Discussions of just such issues are pervasive in the market. Net zero goals stem from a broad and easily understandable concept endorsed by numerous governments. GHG emissions need to fall at a pace and scale agreed upon by scientific consensus, generally culminating in net zero by 2050 or sooner. Asking for net zero by 2050 or 2040 is simply asking a company to decarbonize by the latest date scientists say is needed for society to decarbonize (to achieve a goal of limiting warming to 2 or 1.5 degrees C, as agreed upon by nearly every global government in the 2015 Paris agreement).

To take one example of the level of market involvement and engagement on these issues of climate risk reduction and benchmarking against future national and global goals, the CA 100+ Benchmark sets forth a series of climate-related disclosures that shareholders view as material with regard to climate risk reduction.

The Benchmark is not a disclosure mechanism or database itself, but rather an assessment tool. Companies are assessed against ten indicators:

(1) Net zero GHG Emissions by 2050 (or sooner) ambition

(2) Long-term (2036-2050) GHG reduction target(s)

(3) Medium-term (2026-2035) GHG reduction target(s)

(4) Short-term (up to 2025) GHG reduction target(s)

(5) Decarbonisation strategy

(6) Capital allocation alignment

(7) Climate policy engagement*

(8) Climate Governance

(9) Just Transition (not assessed for 2021)

(10) TCFD disclosure

These CA 100+ benchmarks are supported by 545 global investor signatories responsible for more than $52 trillion in assets under management across 33 markets. The CA 100+ investors include numerous US-based public pension funds, as well as large asset managers such as BlackRock.

It should be clear from even a cursory examination of the CA 100+ and the Science Based Targets initiative (or SBTi, through which “over one thousand leading businesses are setting emissions reduction targets in line with the latest climate science”) that the targets outlined in the proposal are understood and even expected by many investors.[1]

[1] https://sciencebasedtargets.org/about-us

Thus the proposal represents an appropriate opportunity for shareholders to deliberate on whether existing company targets (or the lack thereof) are adequate to the urgent task of addressing the company's climate risk and impacts, and through the advisory vote, provide investor feedback on whether the goals described in the current company Climate Action Plan represent an adequate level of action by the company or whether there are compelling reasons to set targets that would demonstrate a scaled level of commitment by the company. As such, the current proposal represents the best opportunity for investors to have a "say on climate" — to express their view in light of the company's arguments as to whether or not they support the company's existing climate targets. The Company believes that its current climate plan and timeline for target-setting is adequate and appropriate. The opportunity for shareholders to vote on the current proposal reflects an opportunity for them to provide *their assessment* of whether the company's goals and target-setting timeline are indeed adequate, or whether they need to be reconfigured and accelerated to reflect current climate needs.

Board and management discretion is unfettered

In terms of the second argument regarding board and management discretion, as an advisory proposal, this proposal also does not overstep the responsibilities or powers of the Board of Directors or management, because both board and management are free to consider the perspective of voting shareholders and to exercise their discretion as to whether and how to implement their perspective and proposal. The principal risk for directors who might choose to ignore a majority-supported vote on this advisory proposal is that aggrieved shareholders might not vote for the renewal of their terms as directors in a future annual meeting. This is not an inappropriate arrangement of roles and responsibilities between the board, management and shareholders, but rather is a robust and appropriate framework within which shareholder democracy can operate. This understanding was made clear beginning with the 1976 Release regarding the shareholder proposal rule, where the Commission clarified that any proposal that required an outcome would be scrutinized closely for the potential to conflict with state law that reserves the discretion and operation of the company to the board and management. Therefore, the Commission established in the Note to Rule 14a-8(i)(1), that:

> Depending on the subject matter, some proposals are not considered proper under state law if they would be binding on the company if approved by shareholders. **In our experience, most proposals that are cast as recommendations or requests that the board of directors take specified action are proper under state law. Accordingly, we will assume that a proposal drafted as a recommendation or suggestion is proper unless the company demonstrates otherwise**. [emphasis added]

The underlying rationale of this limitation in the note expressed in the 1976 Release was specifically the preservation of the discretion of the Board of Directors to act. The Commission explained:

> … it is the Commission's understanding that the laws of most states do not, for the most part, explicitly indicate those matters which are proper for security holders to act upon but instead provide only that the business and affairs of every corporation organized under this law shall be managed by its board of directors, or words to that effect. Under

> such a statute, the board may be considered to have exclusive discretion in corporate matters, absent a specific provision to the contrary in the statute itself, or the corporations charter or bylaws. Accordingly, proposals by security holders that mandate or direct the board to take certain action may constitute an unlawful intrusion on the board's discretionary authority under the typical statute. On the other hand, however, proposals that merely recommend or request that the board take certain action would not appear to be contrary to the typical state statute, since such proposals are merely advisory in nature and would not be binding on the board even if adopted by a majority of the security holders.

We note as well that in the Company Letter it neither claims that the existing strategy *substantially implements* the proposal, nor that the difference or "delta" of the requested actions from current Company activities is insignificant.

Instead, the Company argument amounts an assertion that determination of the pace and scale of Company responses to the challenges posed by the climate emergency are the exclusive domain of board and management. To the contrary, as an advisory proposal that is intended to provide a gauge for the board and management regarding investor perspectives on the adequacy of the current Company goals, the proposal is clearly an appropriate opportunity for investors to express whether they believe the Company needs to step up and clarify its ambitions consistent with the proposal. We would expect that the board would describe the current Company efforts described in the no action request in an opposition statement, and assert that these current efforts are adequate and are calculated by board and management to be sufficient.

It is appropriate for investors, through this proposal, to express the view that those efforts do not suffice and that short, medium and long-term targets are necessary, including the important net zero by 2050 target that is widely embraced by the investor and climate expert community, as well as the need for a clear commitment to more substantial emission reductions prior to 2030.

<u>Targets are not arbitrary</u>

The Company letter asserts that the Proposal merely suggests "arbitrary" targets for the Company to adopt. Quite to the contrary, the specific request is not arbitrary at all in requesting "time-bound short, medium and long-term targets to achieve net zero emissions by 2050 and effectuate appropriate emissions reductions prior to 2030." These are targets and benchmarks that have already been embraced by nearly 2000 global companies. These companies have adopted or committed to science-based targets through SBTi, which defines best practices for corporate emissions reductions, and will require participating companies to align their targets with the benchmarks articulated in the proposal.

In particular, competing retailers and food companies, including Walmart, BestBuy, Target, McDonald's, PepsiCo, Nestle, and Kellogg, measure their Scope 1, 2, and 3 emissions and are working with SBTi to pursue science-based emissions reductions consistent with the goals of the Paris Agreement. By contrast, it is clear that Costco is acting at neither the necessary pace nor scale to meet the challenge posed by climate change.

In 2018, the Intergovernmental Panel on Climate Change (IPCC) advised that globally, greenhouse gas emissions must be halved by 2030 and reach net zero by 2050 to limit warming to 1.5°C, prevent the worst consequences of climate change, and meet the goals of the Paris Agreement. The latest IPCC report, published in August 2021 and detailing higher confidence and compounding impacts, only underscores this assessment. At the release of the latest IPCC report, the panel warned that "unless there are immediate, rapid, and large-scale reductions in greenhouse gas emissions, limiting warming to 1.5°C or even 2°C will be beyond reach."[2]

This urgency must translate to the level of companies and their investors. While there is some flexibility on a company-by-company basis to determine how much GHG reduction is appropriate for the individual company, investor expectations are that individual companies will also work to achieve net zero emissions by 2050 and short and medium-term emissions reductions from 2025 to 2035.

Already, as will be shown below, the Company's plan does not appear in any way calculated to align with those global goals or investor expectations. In fact, the current plan contains no time-bound absolute emissions reduction targets, whether science-based or otherwise.

II. Shareholders have a right to request *action* on an advisory basis, rather than solely requesting reports.

Rule 14a-8(a) notes that a proposal is a request for *action* by a company. It is not limited to a request for a company to issue a report. Rule 14a-8(a) provides that:

> A shareholder proposal is your recommendation or requirement that the company and/or its board of directors take action, which you intend to present at a meeting of the company's shareholders. Your proposal should state as clearly as possible the course of action that you believe the company should follow.

In recent years, under the pressure of Staff determinations that incrementally expanded the concept of micromanagement, proponents have unfortunately migrated toward framing most proposals as a request for a report. The drivers are included in recent staff legal bulletins justifying the exclusion of proposals asking companies to set net zero or Paris aligned targets.

Notably, recent Staff interpretations of micromanagement (e.g. Staff Legal Bulletin 14J) have offered a *reporting* alternative that differs from the current proposal. Under that alternative, a proposal can ask a company to ask for a *report* on targets "describing if, and how, it plans to reduce its total contribution to climate change and align its operations and investments with the Paris Agreement's goal of maintaining global temperatures well below 2 degrees Celsius " *Anadarko* (March 4, 2019) or describing "how the Company is aligning its long-term business strategy with the projected long-term constraints posed by climate change, and describing medium- and long-term goals for GHG reduction." *Ross Stores* (March 29, 2019).

This has proven to undermine the ability of shareholders to file proposals at companies that have complex but unambitious climate reports and programs in place. To the extent that a company has conducted reporting on its climate plan or approach, as the current Company has done, the

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[2] https://www.ipcc.ch/2021/08/09/ar6-wg1-20210809-pr/

likely outcome of filing such a proposal is a conclusion that the reporting request is *substantially implemented*. A company can point to its existing reporting, even though it is non-responsive to the related benchmarks, as effectively providing a response to the relatively toothless requests of these proposals. Examples of climate change proposals that were excluded based on the "if and how" or "benefits and drawbacks" workarounds included *Exxon Mobil Corporation* (April 3, 2019, March 29, 2019), *Hess Corporation* (April 11, 2019). In response to the request for such a non-excludable report, each of the companies *talked around* the Paris Agreement in their published materials, even though they never answered or analyzed the core questions posed by the proposals, "if and how" the company intended to align its activities with the Paris agreement.

The alternative reporting approaches offered by the Staff are inadequate to provide appropriate accountability where a company's climate responses, while complex, lag market expectations and peers, as is the case with Costco. The current proposal represents a necessary approach to retaining the shareholder franchise to deliberate on these essential issues of climate change responsiveness.

III. The Proposal does not engage in micromanagement within the Commission's intended application of the term.

The Company Letter makes specific reference to the Commission's 1998 release, which represents the Commission's best and latest pronouncement on micromanagement. Although the Company Letter cites language from the release, it neglects the Commission's important clarification that proposals requesting time frames and benchmarks can rise above ordinary business and not constitute micromanagement. The Commission clarified regarding micromanagement in the Final Release that:

> …. in the Proposing Release we explained that one of the considerations in making the ordinary business determination was the degree to which the proposal seeks to micromanage the company. We cited examples such as where the proposal seeks intricate detail or seeks to impose specific timeframes or to impose specific methods for implementing complex policies. Some commenters thought that the examples cited seemed to imply that all proposals seeking detail, or seeking to promote timeframes or methods, necessarily amount to ordinary business.
>
> **We did not intend such an implication. Timing questions, for instance, could involve significant policy where large differences are at stake, and proposals may seek a reasonable level of detail without running afoul of these considerations.**

Thus, the Commission in 1998 articulated an intent to apply a *rule of reason* regarding micromanagement, in which proposals could contain a *reasonable level of detail.* Thus, historically, shareholder proposals that include reasonable detail about the course of action sought from a company have always been encouraged and permissible. This approach of allowing *specific requests* to companies on large strategic corporate matters was reinforced by Ruth Bader Ginsburg in her appellate court decision in *Roosevelt V E. I. Du Pont de Nemours & Company* (US CA DC) 958 F.2d 416. The case involved a shareholder proposal filed with DuPont seeking a phaseout of ozone-depleting CFCs. Where the company had effectively come into line with the proponent's original requested phaseout date for CFCs, the court held that the negligible difference from the proponent's requested date and the company's planned phaseout date could be considered a matter of ordinary business. *Roosevelt v. E.I. Du Pont De Nemours & Company*, 958 F.2d 416 (1992) ("Dupont"). However, Ginsburg noted:

> Timing questions no doubt reflect "significant policy" when large differences are at stake. That would be the case, for example, if Du Pont projected a phase-out period extending into the new century. On the other hand, were Roosevelt seeking to move up Du Pont's target date by barely a season, the matter would appear much more of an "ordinary" than an extraordinary business judgment…. (*i.e.,* one involving "fundamental business strategy" or "long-term goals"). *Roosevelt* at 427

As we noted above, the Proposal is advisory in nature and does not bind action of the company. Even in the event of a majority vote, it does not overstep discretion of board and management. The board and management are not bound to implement the shareholder recommendation, but rather would receive important information and can take this investor perspective under advisement.

The current Proposal does not attempt to meddle in the minutia of company operations. It is unlike the overly prescriptive proposals which were understandably found to micromanage, such as asking a hotel chain to install low-flow shower heads, or asking an energy corporation to limit nitrogen oxide emissions to 2.15 pounds of nitrogen oxide per million BTUs. The proposal does not micromanage but rather addresses large, strategic choices that are appropriate to shareholder deliberation.

IV. Company activities fall short of global benchmarks and demonstrate the need for an advisory proposal that raises the bar for the Company.

Allowing exclusion based on the Company Letter could be construed as an endorsement of the perspective that management, once it is engaged in a complex and nuanced way on climate change, has an insular say over the pace of responsive action on climate change. By the company's view, the current advisory proposal from shareholders urging the Company to align with global expectations is inappropriate.

The Proponent believes that the Company's existing efforts described in its own no action request demonstrate that current efforts do not appear calculated to ensure action at the scale and pace required to meet the challenges posed by climate change and to align with the Paris Agreement. Investors need not wait until more than a year from now to determine whether or not the targets set by the Company are at a scale and pace consistent with the global goals. Investors can already ascertain from disclosures by the Company that their activities are not calibrated to align with global investor expectations:

a. **<u>Company's determination not to set goals for the majority of the Company's greenhouse gas footprint, Scope 3 emissions, in near term.</u>**

Costco has shared with the Proponent that its Scope 3 emissions (emissions attributable to suppliers and users) likely represent 90% of its full emissions. Thus, the Company's stated plans to only establish Scope 1 and 2 reduction goals at the end of 2022 must be considered in light of the reality that the vast portion of its climate footprint is in Scope 3, for which the Company does not have a similar plan for targets. For context, the Science Based Targets initiative (SBTi) requires companies to set Scope 3 targets when "scope 3 emissions are 40% or more of total scope 1, 2, and 3 emissions." Costco's Scope 3 emissions more than double that threshold.

The Company has announced that it will only even estimate a *portion* of its Scope 3 emissions over the next year, with no clear plans to establish Scope 3 targets.

Although the Company can reasonably assert in its opposition statement to shareholders that the supply chain's measurement and control of GHGs has not "matured" to where management of those emissions is universally effective, the proponent would argue in response to that perspective that there are available estimation techniques and tools available to calculate supply chain emissions and to set reasonable priorities and targets. Many of Costco's peers, including those like Walmart with similarly complex supply chains, have long since set Scope 3 emissions reduction targets. Nearly five years ago, in 2016, Walmart committed to reduce Scope 3 emissions by one billion tons between 2015 and 2030.[3] Evidently, Scope 3 emissions reduction commitments and target-setting need not await further maturation of value chain emissions measurement tools. Thus, the information available from the Company provides sufficient information for shareholders to deliberate as to whether or not the Company should establish Scope 3 targets.

b. **<u>Inadequate information on level of ambition and strategy for Scope 1 and 2 targets.</u>**

The Company has not set Scope 1 and 2 targets but has announced that it will do so in December 2022. It is appropriate and timely for shareholders, through this current proposal, to express the perspective that when the company <u>does</u> set such targets, there should be short-, medium-, and long-term targets and they should be aligned with net zero by 2050.

In contrast, the recent history of Company activities would give investors significant concern as to the Company's level of commitment to reducing those emissions. Costco's absolute Scope 1 and 2 emissions have <u>*increased*</u> in each reported year since 2016. It is unclear when and how the Company will move toward GHG reductions consistent with global goals, given this recent history. While Costco asserts that it "is not delaying front-line action" to reduce its global carbon emissions as it builds a more comprehensive strategic framework, investors can reasonably conclude that the Company's absolute emissions increases in each of the last five years indicate that this front-line action is insufficient.

Furthermore, the Company's assertion in its no action letter that adopting the targets requested in

[3] https://sciencebasedtargets.org/blog/walmarts-science-based-target-a-game-changer

the proposal "would require a wholesale departure from Costco's carefully considered approach" suggests that Costco may not currently even intend to set science-based, net zero-aligned targets for its Scope 1 and 2 emissions in December of 2022. It is all the more important for shareholders to assert the need for Scope 1 and 2 targets demonstrating a trajectory consistent with net zero by 2050. This is an appropriate and timely request from shareholders describing the level of ambition needed, given the Company's stated intention to establish some level of Scope 1 and 2 targets at the end of 2022.

c. **Waiting for legal clarity in an evolving environment.**

Notably, the Company Letter also notes that it does not intend to commit to absolute reduction targets until it "confirms the global climate change legal and regulatory landscape." From the proponent's perspective, this level of uncertainty and equivocation is quite inappropriate. It is reasonable to expect that the legal and regulatory landscape will continue to evolve, but in the meantime the expectations of investors, the demands of the market, and the behavior of its peers are clear and the current strategic pathway described in Costco's Climate Action Plan is already out of step with those expectations as described above. Again, it is appropriate for investors to urge the Company to set goals without waiting for further clarification in what will inevitably be a continuously changing legal and regulatory environment.

CONCLUSION

Based on the foregoing, we believe it is clear that the Company has not met its burden of proving that the Proposal engages in inappropriate micromanagement such that the Proposal should be excludable from the 2022 proxy statement pursuant to Rule 14a-8. The matters at hand are of appropriate interest for investor deliberation, and are advisory to the board and management, and as such, should appear on the proxy to allow a robust debate and climate accountability through the shareholder proposal process.

As such, we respectfully request that the Staff inform the Company that it is denying the no action letter request. If you have any questions, please contact me at 413 549-7333 or sanfordlewis@strategiccounsel.net.

Sincerely,

Sanford Lewis

September 21, 2021

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 Green Century Capital Management, Inc.

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 2022 annual meeting of shareholders a proposal and supporting statement submitted by Green Century Capital Management, Inc., on behalf of the Green Century Balanced Fund (collectively referred to as the "***Proponent***"), by letter dated August 9, 2021.

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 2022 annual meeting with the Commission (on or about December 10, 2021) 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 that Costco adopt short, medium, and long-term science-based greenhouse gas emissions reduction targets, inclusive of emissions from its full value chain, in order to achieve net-zero emissions by 2050 or sooner and to effectuate appropriate emissions reductions prior to 2030.

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 2022 annual meeting pursuant to Rule 14-8(i)(7) because the proposal deals with matters relating to Costco's ordinary business operations, since it impermissibly seeks to impose prescriptive methods for implementing complex policies related to the Company's strategy for addressing greenhouse gas ("***GHG***") emissions.

ANALYSIS

The Proposal May Be Excluded Under Rule 14a-8(i)(7) Because It Deals with Matters Relating to Costco's Ordinary Business Operations

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 consideration 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, which is applicable to the proposal, 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 further explained that the second consideration "may come into play in a number of circumstances, such as where the proposal involves intricate detail, or seeks to impose specific time-frames or methods for implementing complex policies." In Staff Legal Bulletin No. 14J (Oct. 23, 2018) ("***SLB 14J***"), the Staff explained that "[u]nlike the first consideration [of the ordinary business exclusion], which looks to a proposal's subject matter, the second consideration looks only to the degree to which a proposal seeks to micromanage. Thus, a proposal that may not be excludable under the first consideration may be excludable under the second if it micromanages the company." Moreover, as is relevant here, under Rule 14a-8(i)(7) a shareholder proposal that seeks to micromanage a company's business operations is excludable even if it involves a significant policy issue.

The proposal directs Costco to implement specific methods that would change its emissions management strategy by requiring it to adopt targets to reduce certain of Costco's GHG emissions—specifically, "short, medium, and long-term science-based greenhouse gas emissions reduction targets" inclusive of Costco's Scope 3 emissions "to achieve net-zero emissions by 2050 or sooner and to effectuate appropriate emissions reductions prior to 2030." By prescribing this specific strategy, the proposal restricts Costco's discretion and flexibility to develop and manage its strategy for GHG emissions reduction. This flexibility is vital, especially with respect to third-party controlled Scope 3 emissions where Costco has limited influence to in-house, either Kirkland Signature or in-house services, that can be more effectively tracked and mitigated (examples include Costco's chicken plant in Nebraska and its current leasing of container ships, both of which were Scope 3 emissions and now are Scope 1).

In addition, the technical complexity of Scope 3 emissions in particular requires dramatic reductions in global supply chain transportation systems including fuel types for aviation, maritime, long-haul trucking and rail. Flexibility is also essential because the varied regulatory requirements at the state, national and international levels regarding energy availability and usage (coal, natural gas, hydrogen, wind, solar, hydro, nuclear) are substantially influencing availability of renewable energy sources necessary for decarbonization.

As discussed below, the Staff has consistently concurred that proposals may be excluded where the proposal seeks to direct a company's specific actions with respect to complex policy matters, operations and technical matters, restricting the discretion or flexibility of the company's management or board to act on those matters. Under well-established precedent, the proposal is therefore excludable under Rule 14a-8(i)(7) because it seeks to micromanage Costco's actions strategy regarding reduction of GHG emissions.

B. The Company's Climate Action Plan

Costco has developed a considered, multi-year 10-point Climate Action Plan, which is attached hereto as Exhibit B and is available on Costco's website.[1] The Climate Action Plan, announced in 2020, sets forth Costco's strategy for reducing its contribution to climate change, as well as reporting on Costco's tracking and reduction efforts to date. Meaningful climate action is a central pillar of Costco's Environmental, Social and Governance (ESG) strategy that will be built over the next four years (2021-2024), implementing a series of standards, metrics and goals. The plan prioritizes the mitigation of Scope 1, 2 and 3 carbon dioxide equivalent (CO2e) emissions and builds on Costco's progress to date to develop a formal, multi-year Climate Action Plan that is focused on specific interventions aimed at addressing the climate impacts attributed to Costco's global operations and supply chains. In connection with the Climate Action Plan, Costco initiated a comprehensive review of its 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 Costco to better understand the implications of climate and sustainability commitments on its business, members, employees, shareholders, suppliers and communities.

The Climate Action Plan further notes that Costco will commit to specific absolute reduction targets only after it completes an assessment of baseline data and an analysis of year-over-year trends and confirms the global climate change legal and regulatory landscape. In the meantime, Costco is not delaying front-line action to reduce its global carbon emissions as it builds a more comprehensive strategic framework, as evidenced by the actions described in the Climate Action Plan.

The Climate Action Plan describes Costco's intent to "design, develop, and recommend formal climate goals, including targets for the absolute reduction of enterprise-wide CO2e emissions from a Fiscal Year 2020 baseline." 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)" and to outline the specific actions needed to meet these goals and targets by December 2022.

As Costco has disclosed to the Proponent, it will make public on or before December 2021 an estimated milestone date of December 2022 to disclose estimated Scope 3 emissions from two categories defined by the GHG Protocol Corporate Accounting and Reporting Standard: "Waste Generated from Operations" and "Purchased Goods and Services."

Costco explored Scope 3 emissions with select suppliers from three supply chains (produce, textiles, and paper products) during the summer of 2020 and learned they are at varying degrees of maturity in their emissions reporting. Given Costco's diverse and complex global supply chains, it expects that its suppliers will continue to be at different points of maturity. It has begun to engage more broadly with suppliers regarding Scope 3 emissions to "more thoroughly understand supplier

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[1] https://www.costco.com/sustainability-climate-action-plan.html.

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 shared with the Proponent additional factors it will explore to determine its Scope 3 action plan, including continuing "to conduct a deep analysis to better understand the key opportunities, challenges and issues associated with our Scope 3 emissions due to the complexity of Costco's global supply chain and ongoing changes to various guidance methodologies. We do refer to the existing SBTi guidance on Forest, Land and Agriculture (FLAG), although we understand updated versions are currently under consideration; Gold Standard's Value Change Initiative; and GHG Protocol's existing Scope 3 Calculation Guidance and Scope 3 Evaluator tool in our analysis. We also intend to consult the GHG Protocol's forthcoming guidance on carbon removals accounting, bioenergy accounting and topics related to land-use emissions as we consider our approach to Scope 3 reductions." This roadmap offers a thorough, operationally-viable action plan with specific goals and accountability. Particularly given the real-time changing estimates associated with science-based targets, it is essential that Costco's plan is based on actual emission data, not generic industry estimates of Scope 3 systems globally.

The Climate Action Plan integrates the range of global sustainability issues into a coordinated and comprehensive roadmap. The plan builds on Costco's progress to date to identify time-bound ESG commitments and prioritize the capital and operational investments required to deliver on them. In pursuit of operational level metrics, the Climate Action Plan provides that over the next four years, Costco will utilize several reporting frameworks. Over the next four years, Costco 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). Costco provided the Proponent a 2021 Climate Action Plan Progress Update that represents its progress for the first full year of integrated action across its enterprise. The portion of the Progress Update related to reporting methodologies included: (1) the identification of seven materially-relevant 2030 United Nations SDGs, which creates a framework for prioritizing its Climate Action Plan; and (2) the adoption of selected key metrics of the SASB framework for "Multiline and Specialty Retailers & Distributors" and "Food Retailers and Distributors" as the two SASB industries most relevant to our business. Costco will report on these metrics and otherwise update the Climate Action Plan in connection with its December 2021 update to its Sustainability Commitment.

Costco believes that its Climate Action Plan is the most appropriate strategy for the Company to address GHG emissions at this time, because it holistically lays out how Costco can achieve its goals and targets with operational integrity. Costco's approach is to simultaneously learn and develop its goals, strategies, targets, programs and key performance indicators so that it will be able to take meaningful action to do its part to address climate change. Costco continues to seek to build capacity, change and broaden mindsets, and learn what solutions are most cost-effective through an agile program development approach. The proposal's demand that Costco establish arbitrary time-bound short, medium and long-term targets to achieve net-zero emissions by 2050 and effectuate appropriate emissions reductions prior to 2030 would require a wholesale departure from Costco's carefully considered approach.

C. The Proposal May Be Excluded Under Rule 14a-8(7) Because It Seeks to Micromanage the Company.

The Staff has consistently permitted exclusion of shareholder proposals under Rule 14a-8(i)(7) that impose specific means and timelines for achieving specific emissions targets. For instance, in *Devon Energy Corp.* (Mar. 4, 2019, recon. denied Apr. 1, 2019), the proposal requested that the company issue a report disclosing short-, medium- and long-term greenhouse gas targets aligned with the greenhouse gas reduction goals established by the Paris Climate Agreement to keep the increase in global average temperature to well below 2 degrees Celsius and to pursue efforts to limit the increase to 1.5 degrees Celsius. Devon Energy, an international oil and gas producer, explained that the proposal would require management to subject its daily operational strategies and business judgments regarding drilling and production levels, among other ordinary business operations, to company-wide, time-bound quantitative targets in the form of arbitrary short-, medium- and long-term emissions targets. The Staff concluded that the proposal "would require the Company to adopt targets aligned with the goals established by the Paris Climate Agreement" and that by imposing this requirement, "the Proposal would micromanage the Company by seeking to impose specific methods for implementing complex policies in place of the ongoing judgments of management as overseen by its board of directors." *See also*, *e.g.*, *Exxon Mobil Corp.* (Apr. 2, 2019) (concurring in the exclusion of a substantially similar proposal*); EOG Resources, Inc.* (Feb. 26, 2018, recon. denied Mar. 12, 2018) (in concurring with exclusion of a proposal that the company "adopt company-wide, quantitative, time-bound targets for reducing greenhouse gas emissions and issue a report discussing its plans and progress towards achieving these targets," the Staff found that the proposal sought "to micromanage the [c]ompany 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"); *Amazon.com, Inc.* (Mar. 6, 2018) (in permitting exclusion of a proposal requesting a report "that evaluates the feasibility of the Company achieving by 2030 'net zero' emissions of greenhouse gases . . . as well as the feasibility of reducing other emissions associated with the Company's activities" the Staff noted that the proposal "seeks to micromanage" the company by "probing too deeply into matters of a complex nature"); *Deere & Co.* (Dec. 27, 2017) (allowing exclusion of a proposal requesting that the company prepare a report that evaluates the potential for the company to achieve net-zero GHG emissions by a fixed future target date); *Apple, Inc.* (Dec. 21, 2017) (allowing exclusion of a proposal to report within one year on a plan to reach net-zero GHG emission status by a fixed date).

In Staff Legal Bulletin No. 14K (Oct. 16, 2019) ("***SLB 14K***") the Staff noted that if the method and strategy for implementing the action requested by the proposal is overly prescriptive, thereby potentially limiting the judgment and discretion of the board and management, the Staff may view the proposal as micromanaging the company. To demonstrate what would constitute an overly prescriptive proposal, the Staff provided the following illustration, identifying *Devon* as an example of a proposal that impermissibly micromanaged the company:

> For example, this past season we agreed that a proposal seeking annual reporting on "short-, medium- and long-term greenhouse gas targets aligned with the greenhouse gas reduction goals established by the Paris Climate Agreement to keep the increase in global average temperature to well below 2 degrees Celsius and to pursue efforts to limit the increase to 1.5 degrees Celsius" was excludable on the basis of micromanagement. [Devon]. In our view, the proposal micromanaged the company by prescribing the method for addressing reduction of greenhouse gas emissions. We viewed the proposal as effectively requiring the adoption of time-bound targets (short, medium and long) that the company would measure itself against and changes in operations to meet those goals, thereby imposing a specific method for implementing a complex policy.

In the Staff's view, the *Devon* proposal was overly prescriptive in its method for assessing reduction of GHG emissions, as well as effectively requiring the adoption of time-bound targets. The proposal here seeks to impose a specific method for implementing a complex policy, including requiring an intricately detailed and complex report on emissions targets, including the need to adopt time-based short, medium and long-term targets for achieving the imposed emission reduction standards. The proposal would broadly cover Costco's worldwide operations, including the full value chain associated with Costco's operations. Much like in *Devon*, *Exxon* and *EOG*, the proposal seeks to micromanage Costco because implementation would artificially focus management on three arbitrary deadlines to the exclusion of a number of other complex factors that management balances in managing Costco's GHG emissions program. Setting a reduction goal in GHG emissions throughout Costco's full value chain involves business judgments that are too complex for shareholders to exercise direct oversight, including internal data and system requirements; operational issues and impacts; global best practices; competitive forces; and regulatory, financial, supply chain, and reputational risk. By substituting the Proponent's business judgment for management's business judgment, the proposal fundamentally interferes with management's flexibility to exercise its judgment to run Costco and operate its business on a day-to-day basis.

Further, the proposal sets emissions levels that Costco must meet by a specified timeframe, similar to other instances where the Staff concurred with the exclusion of proposals that requested reports on meeting a specific GHG emission target levels by specified timeframes. 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 net zero emissions of GHG by 2030); *Deere & Co.* (Dec. 5, 2016) (concurring in the exclusion of a proposal requesting the board of directors to generate a feasible plan to reach net-zero GHG status by 2030); *Apple Inc.* (Dec. 5, 2016) (allowing exclusion of a proposal to report within one year on a plan to reach net-zero GHG emission status by 2030). Like *PayPal, Deere* and *Apple*, the proposal forces Costco to focus its analysis on the end goal of net-zero emissions rather than allowing Costco to use its resources to assess its ability to meet incremental goals related to managing and reducing GHG emissions on a timeline that management may deem appropriate and reasonable in the context of Costco's operations.

The proposal is notably distinguishable from other climate change proposals where the Staff has been unable to concur with the exclusion under Rule 14a-8(i)(7) because the proposal was not overly prescriptive and the action requested provided significant management discretion. For example, in SLB 14K, the Staff—for purposes of contrasting the *Devon* proposal —also included an example of a similar proposal that, in the Staff's view, was not overly prescriptive. *Anadarko Petroleum Corp.* (Mar. 4, 2019) (not allowing exclusion of a proposal seeking a report "describing if, and how, [a company] plans to reduce its total contribution to climate change and align its operations and investments with the Paris [Climate] Agreement's goal of maintaining global temperatures well below 2 degrees Celsius," recognizing that the proposal did not seek to micromanage the company because it deferred to management's discretion to consider if and how the company plans to reduce its carbon footprint and asked the company to consider the relative benefits and drawbacks of several actions). *See also Chevron Corp.* (Jan. 18, 2021) (the Staff was unable to concur with the exclusion of a proposal that requested the company to substantially reduce the GHG emissions of their energy products (Scope 3) in the medium- and long-term future, as defined by the company*); Occidental Petroleum Corp.* (Mar. 19, 2021) (the Staff declined to concur with exclusion where the proposal asked the company to include medium-term targets covering GHG emissions from the company's energy products (Scope 3) "on their pathway to their long-term target, which is net-zero emissions before 2050"). The proposal is readily distinguishable from these examples. For instance, in *Occidental Petroleum*, the company had already adopted goals for Scope 1 and 2 emissions before 2040 and for Scope 1, 2 and 3 emissions before 2050. Similarly, the proposal in *Anadarko Petroleum* permitted the company to consider "if and how" or "whether" it can or will adopt a strategy for reducing Scope 3 emissions. By contrast, the proposal here requires not only that Costco's management set short, medium and long-term targets but also requires that in setting these targets, the company achieve a specified net-zero emission level by 2050 and "appropriate emissions reductions" by 2030.

By specifying levels of GHG emissions for Costco to achieve, the proposal also differs significantly from proposals that seek to establish "goals" for achieving an environmental objective or that include a range of acceptable levels of compliance. A proposal that seeks to establish goals for, or ranges of, compliance allows the company flexibility to determine an achievable level of compliance and an acceptable timetable for implementation and therefore, unlike the proposal here, does not micromanage the company for purposes of Rule 14a-8(i)(7). *See, e.g., First Energy Corp.* (Mar. 4, 2015) (declining to concur in exclusion of proposal that called for creation of specific, quantitative, time bound carbon dioxide reduction goals to decrease emissions, noting that the proposal "does not seek to micromanage the company to such a degree that exclusion of the proposal would be appropriate"). The proposal here, in contrast, is far more prescriptive, setting two specific emissions goals, with fixed deadlines, and requires the development of short, medium and long-term targets on the way toward achieving the specified goals, rather than merely requesting that Costco adopt or implement a policy.

Accordingly, consistent with SLB 14J and the precedent described above, Costco believes that the proposal may be excluded from its 2022 proxy materials pursuant to Rule 14a-8(i)(7) as relating to Costco's ordinary business operations.

CONCLUSION

Based upon the foregoing analysis, 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 2022 annual meeting.

We would be pleased to provide any additional information and answer any questions that the Staff may have regarding this submission. If the Staff does not concur with Costco's position, we would appreciate an opportunity to confer with the Staff concerning this matter prior to the determination of the Staff's final position. Please contact me at (425) 427-7577 to discuss any questions you may have regarding this matter. Please email a response to this letter to jsullivan@costco.com.

Sincerely,

John Sullivan
Senior Vice President, General Counsel and
Secretary

Enclosures

cc: Green Century Capital Management, Inc.

<u>Exhibit A</u>

Proposal and Related Correspondence

GREEN CENTURY FUNDS

August 9, 2021

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

Re: Shareholder proposal for 2022 Annual Shareholder Meeting

Dear Mr. Sullivan,

Green Century Capital Management, Inc. (Green Century) is the investment advisor, agent, manager and representative of the Green Century Funds. Green Century Capital Management Inc. is filing the enclosed shareholder proposal on behalf of the Green Century Balanced Fund (the "Proposal") to be included in the proxy statement of Costco Wholesale Corporation (COST) (the "Company") for its 2022 annual meeting of shareholders, 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 $25,000 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 Company's 2022 annual shareholders' meeting. Verification of ownership from a DTC participating bank is enclosed.

We are available to meet with the Company via teleconference on August 23rd, 24th, 27th, 30th, or 31st between 12 p.m. and 3 p.m. Pacific Time, or on September 1st, 2nd, 6th, or 7th between 12 p.m. and 3 p.m. Pacific Time.

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 Thomas Peterson, Shareholder Advocate at Green Century Capital Management. He may be reached at tpeterson@greencentury.com and 617-482-0800.

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

Thank you for your attention to this matter.

Sincerely,

Leslie Samuelrich

Leslie Samuelrich
President
The Green Century Funds
Green Century Capital Management, Inc.

Whereas: In 2018, the Intergovernmental Panel on Climate Change advised that greenhouse gas emissions must be halved by 2030 and reach net zero by 2050 to limit warming to 1.5°C, prevent the worst consequences of climate change, and meet the goals of the Paris Agreement.

Companies must act rapidly to reduce emissions in line with these science-based goals, as recent studies show that limiting warming below 1.5°C is now "extremely unlikely."

Costco Wholesale Corporation (Costco) uses palm oil, soy, cattle, cocoa, and pulp/paper in its products. These commodities are leading drivers of deforestation, which accounts for over 10 percent of global greenhouse gas emissions.

In its 2020 10-K, Costco acknowledges that "climate change, extreme weather conditions, and rising sea levels could affect our ability to procure commodities at costs and in quantities we currently experience." Furthermore, Costco identifies a "highly competitive" retail marketplace and failure to respond to changing consumer preferences, "including those relating to sustainability," as risk factors.

Costco claims to prioritize "the mitigation of Scope 1, 2 and 3 CO2e emissions" and to focus on "addressing the climate impacts attributed to our global operations and supply chains." However, Costco's absolute Scope 1 and 2 emissions have increased in each reported year since 2016. Worryingly, Costco does not plan to announce Scope 1 and 2 emissions reduction targets until December 2022 and has no time-bound plans to measure, disclose, or set reduction targets for its Scope 3 emissions.

Scope 3, or value chain, emissions are likely to be Costco's greatest source of emissions. Walmart, a Costco competitor, discloses that Scope 3 emissions make up 95% of its total emissions. If the Company is to accelerate emissions reductions consistent with global goals, halving GHG emissions by 2030, it must act broadly and expeditiously.

Competing retailers and food companies, including Walmart, BestBuy, Target, McDonald's, PepsiCo, Nestle, and Kellogg, measure their Scope 1, 2, and 3 emissions and are pursuing science-based emissions reductions consistent with the goals of the Paris Agreement. Failure to keep pace with competitors and anticipate regulatory changes may pose material risks to Costco, including restricted market share, inability to meet government mandates, and reputational damage.

Resolved: Shareholders request that Costco adopt short, medium, and long-term science-based greenhouse gas emissions reduction targets, inclusive of emissions from its full value chain, in order to achieve net-zero emissions by 2050 or sooner and to effectuate appropriate emissions reductions prior to 2030.

Supporting Statement: In assessing targets, we recommend, at management's discretion:

- Consideration of approaches used by advisory groups such as the Science Based Targets initiative;
- Adopting emissions reduction targets inclusive of all GHG Protocol-defined sources of Scope 3 emissions – including from agriculture, land use change, and deforestation – that align with limiting temperature increases to 1.5°C;
- Disclosing these targets to investors at least 180 days prior to the next annual meeting.

August 9th, 2021

Leslie Samuelrich
President, Green Century Capital Management, Inc.
President, Green Century Funds
114 State Street, Suite 200, Boston, MA 02109

This letter is to confirm that as of August 9, 2021, UMB Bank, N.A. 2450, a DTC participant, in its capacity as custodian, held 10,528 shares of Costco Wholesale Corp (COST)Stock 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 Corp (COST) 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 9, 2020 and through August 9, 2021. During that year prior to and including August 9, 2021 the holdings continuously exceeded $25,000 in market value.

Sincerely,

Mandee Crawford

Mandee Crawford
Vice President
UMB Bank, NA

UMB Bank, n.a.

928 Grand Boulevard
Kansas City, Missouri 64106

umb.com

Member FDIC

From: **Thomas Peterson** <tpeterson@greencentury.com>
Date: Fri, Sep 17, 2021 at 2:51 PM
Subject: Re: Shareholder proposal for 2022 Annual Shareholder Meeting
To: John Sullivan <jsullivan@costco.com>
Cc: Sheri Flies <sflies@costco.com>, Annalisa Tarizzo <atarizzo@greencentury.com>

John,

Thank you for letting us know. It was our impression that we were well aligned on a path forward coming out of our call in August, so it might be helpful to have another call to get back on the same page, as we would prefer to come to an agreement and withdraw the proposal. We would be happy to discuss next week; please let us know if you would like to meet.

Best wishes,

Thomas

Thomas Peterson
Shareholder Advocate
Green Century Capital Management
114 State Street, Suite 200, Boston, MA 02109
www.greencentury.com
617-482-0800/1-800-934-7336
tpeterson@greencentury.com

For updates on Green Century, register for our e-newsletter or follow us on Twitter and LinkedIn.

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Stocks will fluctuate in response to factors that may affect a single company, industry, sector, country, region or the market as a whole and may perform worse than the market. Foreign securities are subject to additional risks such as currency fluctuations, regional economic and political conditions, differences in accounting methods, and other unique risks compared to investing in securities of U.S. issuers. Bonds are subject to a variety of risks including interest rate, credit, and inflation risk. A sustainable investment strategy which incorporates environmental, social and governance criteria may result in lower or higher returns than an investment strategy that does not include such criteria.

From: John Sullivan <jsullivan@costco.com>
Sent: Friday, September 17, 2021 3:15:45 PM
To: Thomas Peterson
Cc: Sheri Flies; Annalisa Tarizzo
Subject: Re: Shareholder proposal for 2022 Annual Shareholder Meeting

We seem to have significant differences (including over the question of whether the documentation is consistent with what was said on the phone call). As a courtesy we are letting you know that we are planning to proceed with a request for a no-action letter. We will continue to review your suggestions and will let you know after further review of your positions if we think that it would be productive to engage in further discussions.

On Thu, Sep 16, 2021 at 11:15 AM Thomas Peterson <tpeterson@greencentury.com> wrote:

> John and Sheri,
>
> Thank you for sending along this markup. We have attached a new markup, reflecting the changes we have accepted and the additions we have made to ensure we are operating on shared definitions.
>
> Under paragraph 1.1, we are happy to accept the deletion of "...inclusive of emissions..." and "...which includes estimated emissions from agriculture and land-use change," provided that we include clarification that you are using the Greenhouse Gas Protocol definitions of these Scope 3 categories (the GHG Protocol includes "agricultural activities" and "land use and land-use change" in its definition of the "Purchased goods and services" Scope 3 category).

Under paragraph 1.2, we unfortunately cannot accept the insertion of "...forth its progress to determine its..." In order to be comfortable withdrawing our proposal, we would need a clear statement that Costco plans to set scope 3 emissions reduction targets in December 2022, as you communicated to us on our call in August.

In recognizance of your view on the imprudence of committing to significant substantive reductions absent a path for getting there, we can accept the deletion of "and therefore put Costco on track to substantially reduce value chain greenhouse gas emissions by 2030." However, we have added a final clause to 1.2, clarifying that this would put "Costco on track to reach net-zero value chain greenhouse gas emissions no later than 2050." We are unclear on what it would mean to align these targets with limiting warming to 1.5 C absent a net-zero by 2050 goal, and it was our understanding from the August call that this net-zero goal had already been internally established.

Finally, we are happy to accept the changes you suggested in paragraph 4.

Please let us know if this version of the agreement would be acceptable to you. Again, we would prefer to withdraw our proposal, and would be happy to meet to discuss the remaining points on which we are not yet aligned, either today prior to 6pm ET or tomorrow between 10am and 4pm ET.

Best,

Thomas

Thomas Peterson
Shareholder Advocate
Green Century Capital Management
114 State Street, Suite 200, Boston, MA 02109
www.greencentury.com
617-482-0800/1-800-934-7336
tpeterson@greencentury.com

communication is not an offer, solicitation, or recommendation to buy or sell any security or other investment product.

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Stocks will fluctuate in response to factors that may affect a single company, industry, sector, country, region or the market as a whole and may perform worse than the market. Foreign securities are subject to additional risks such as currency fluctuations, regional economic and political conditions, differences in accounting methods, and other unique risks compared to investing in securities of U.S. issuers. Bonds are subject to a variety of risks including interest rate, credit, and inflation risk. A sustainable investment strategy which incorporates environmental, social and governance criteria may result in lower or higher returns than an investment strategy that does not include such criteria.

From: John Sullivan <jsullivan@costco.com>
Sent: Wednesday, September 15, 2021 6:58:00 PM
To: Thomas Peterson
Cc: Sheri Flies; Annalisa Tarizzo
Subject: Re: Shareholder proposal for 2022 Annual Shareholder Meeting

We have some significant issues with your draft, which are reflected in the attached markup. As Sheri explained to you, we do not believe it prudent to commit to significant substantive reductions that have substantial implications for the business unless and until we can envision a path to actually get there. We have demonstrated, however, that we are taking these issues seriously and analyzing and planning accordingly. Let us know if you think it is productive for us to have another discussion, which needs to occur by Friday. Thanks.

On Wed, Sep 15, 2021 at 3:41 PM Thomas Peterson <tpeterson@greencentury.com> wrote:

Dear Sheri,

I hope your week is going well. I wanted to confirm that you received my email on Monday with the attached withdrawal agreement. In consideration of the September 17 deadline you mentioned on our call in August, please let us know tomorrow if there are any elements of the agreement you would like to discuss further.

Best wishes,

Thomas

Thomas Peterson
Shareholder Advocate
Green Century Capital Management
114 State Street, Suite 200, Boston, MA 02109
www.greencentury.com
617-482-0800/1-800-934-7336
tpeterson@greencentury.com

From: Thomas Peterson
Sent: Monday, September 13, 2021 6:37:46 PM
To: Sheri Flies
Cc: John Sullivan; Annalisa Tarizzo
Subject: Re: Shareholder proposal for 2022 Annual Shareholder Meeting

Dear Sheri,

Thank you for your email and for these clarifications as to Costco's intentions. Based on your email, we have drafted a withdrawal agreement (attached below) according to our typical procedure for withdrawing shareholder proposals.

In drafting the agreement, we took as much word for word language as possible from your email, and have placed that language in quotations in this draft. We have added a few clarifying points under which we would feel comfortable withdrawing our proposal, all reflecting our conversation on August 24.

We look forward to finalizing this agreement. Thank you again for your engagement with us on these issues.

Best,

Thomas

Thomas Peterson
Shareholder Advocate
Green Century Capital Management
114 State Street, Suite 200, Boston, MA 02109
www.greencentury.com
617-482-0800/1-800-934-7336
tpeterson@greencentury.com

From: Sheri Flies <sflies@costco.com>
Sent: Friday, September 10, 2021 7:01:55 PM

To: Thomas Peterson
Cc: John Sullivan; Annalisa Tarizzo
Subject: Re: Shareholder proposal for 2022 Annual Shareholder Meeting

Dear Thomas and Annalisa:

Thank you for our conversation on August 24, 2021, and the follow-up information you provided. We appreciate the opportunity to further clarify our intentions and thought processes.

At this time, we will continue to follow our 10-point Climate Action Plan ("Plan"), with some new modifications as noted below. The Plan holistically lays out how we can do our part to address global climate change with operational integrity and includes the mitigation of Scope 1, 2 and 3 carbon dioxide-equivalent (CO_2e) emissions. To determine our upcoming commitments and actions outlined in the Plan, we will continue to refer to various reporting methodologies and frameworks for guidance, including the Task Force on Climate-related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB) and Science Based Targets Initiative (SBTi).

Plan Points 1-8. In consideration of Paris Agreement-level emission goals, we are aggressively examining data at the location and aggregate levels, actively exploring evidence-based best practices, operationally-viable modifications, capital and operational investments and regulatory obligations at the local, state, national and international levels. We provided you with a confidential Progress Update (attached again for reference) that shows we are on track to meet each of the estimated milestone dates for Points 1-8 of the Plan.

Plan Point 9 (Scope 3 emissions). This action point was initially listed as under review and therefore currently does not have an estimated milestone date. Given our work this past year and per our conversation, we are now able to establish an estimated milestone date of December 2022. At that time we will publish our Scope 3 action plan that will focus on how we can do our part to limit warming to 1.5◦C per the Paris Agreement. We will reflect the new December 2022 estimated milestone for Point 9 in an update to our Sustainability Commitment on or before December 2021.

To determine our Scope 3 action plan, we will continue to conduct a deep analysis to better understand the key opportunities, challenges and issues associated with our Scope 3 emissions due to the complexity of our global supply chain and ongoing changes to various guidance methodologies. We do refer to the existing SBTi guidance on Forest, Land and Agriculture (FLAG), although we understand updated versions are currently under consideration; Gold Standard's Value Change Initiative; and GHG Protocol's existing Scope 3 Calculation Guidance and Scope 3 Evaluator tool in our analysis. We also intend to consult the GHG Protocol's forthcoming guidance on carbon removals accounting, bioenergy accounting and topics related to land-use emissions as we consider our approach to Scope 3 reductions.

There may have been a communication gap during our call. While we understand that you are most focused on Scope 3 emissions and would like us to sign a SBTi Business Ambition for 1.5◦C Commitment Letter, we are not currently in a position to sign it because we continue to explore the technical, operational, financial and regulatory implications of SBT commitments to our business and we understand that SBTi is actively in the process of incorporating public feedback on revised criteria for its global Net-Zero Standard for corporate target setting.

Plan Point 10 (ESG reporting), This action point was also listed under review and did not have an estimated milestone date. However, this past year we completed our initial review of ESG reporting methodologies, have adopted the SASB framework and have identified a subset of SASB metrics. We will begin to report on these metrics in our December 2021 update to our Sustainability Commitment and three of these metrics relate to GHG emissions and energy management (FB-FR-110a.1, FB-FR-110b.1 and FB-FR-130a.1).

Forestry. Regarding your questions on beef, we are in the process of surveying our suppliers to obtain a current update of their sourcing regions and once completed, will publish the results in our CDP Forests disclosure in 2022. Regarding cocoa, while we have not established a cut off date, we remain focused on deforestation concerns. We continue to support reforestation and tree planting in our Sassandra cocoa supply chain and we will share this progress as well as other aspects of the program in our 2021 update to our Sustainability Commitment.

We trust our response shows our continuing commitment to address climate change and the progress we have made in the past year confirms our commitment. We understand the importance of goal setting but strongly believe that goals must be based on existing practical means for reaching those goals. Our current approach achieves the balance that is appropriate for Costco Wholesale. We are willing to connect with you in July 2022 to provide you with progress updates if you would like.

Sincerely,

Sheri

--
Sheri L. Flies
Vice President
Global Sustainability and Compliance
COSTCO WHOLESALE CORPORATION
999 Lake Drive
Issaquah, WA 98027
425-427-3965
sflies@costco.com

On Fri, Aug 27, 2021 at 10:58 AM Thomas Peterson <tpeterson@greencentury.com> wrote:

Sheri and John,

Thank you for Tuesday's dialogue. We were encouraged to hear that Costco will disclose estimated scope 3 emissions and set absolute reduction targets for those emissions in December of 2022, in addition to setting targets for scope 1 and 2 emissions. We also appreciated the confirmation that these targets will align with the Business Ambition for 1.5°C to reach net-zero value chain GHG emissions by no later than 2050. We are glad to hear that Costco plans to make these updated intentions public in December 2021.

As discussed, I am following up here with additional resources on methodologies for land use GHG accounting:

- SBTi guidance for Forest, Land and Agriculture (FLAG) (includes a link to participate in the process, receive updates)
- Quantis' Accounting for Natural Climate Solutions Guidance (recommended by SBTi as the best available guidance for companies at the moment).

- GHG Protocol's Scope 3 guidance, Agriculture guidance, Land Use, Land-Use Change, and Forestry Guidance.

Regarding our discussion of forest-risk commodities, which represent a key factor in any plans to reduce scope 3 emissions, we wanted to follow up on the following two points:

- On beef: regarding our question about the sourcing geography for the 20% of Kirkland Signature beef not sourced from the US and Canada, I wanted to provide more context. The current Costco Forest Conservation Commitment states that "Costco does not source Kirkland Signature beef from high deforestation risk countries such as Brazil, Colombia, Argentina, or Paraguay." Other countries with high beef-related deforestation risk (such as Bolivia, Peru, Nicaragua, and Australia) are not enumerated. For this reason, it would mitigate investor deforestation concerns if Costco disclosed the sourcing geography for the remaining 20% of Kirkland Signature beef, or clarified its definition of "high deforestation risk countries."
- On cocoa: we were inquiring about whether Costco has explored a cut-off date for deforestation in its cocoa supply chain, and whether Costco has considered moving away from the language of "protected forests," in favor of making an explicit deforestation-free commitment for its cocoa supply chain.

Thank you again for your engagement, and we look forward to hearing from you on the 13th regarding the commitments we discussed on the call. Please let us know if you have any questions in the meantime.

Best,

Thomas

Thomas Peterson
Shareholder Advocate
Green Century Capital Management
114 State Street, Suite 200, Boston, MA 02109
www.greencentury.com
617-482-0800/1-800-934-7336
tpeterson@greencentury.com

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Stocks will fluctuate in response to factors that may affect a single company, industry, sector, country, region or the market as a whole and may perform worse than the market. Foreign securities are subject to additional risks such as currency fluctuations, regional economic and political conditions, differences in accounting methods, and other unique risks compared to investing in securities of U.S. issuers. Bonds are subject to a variety of risks including interest rate, credit, and inflation risk. A sustainable investment strategy which incorporates environmental, social and governance criteria may result in lower or higher returns than an investment strategy that does not include such criteria.

From: Thomas Peterson
Sent: Friday, August 13, 2021 11:24:46 AM
To: John Sullivan
Cc: Annalisa Tarizzo
Subject: Re: Shareholder proposal for 2022 Annual Shareholder Meeting

Of course; Monday the 23rd we would be available to meet between 10:30am and 3pm PT.

Thanks,

Thomas

Thomas Peterson
Shareholder Advocate
Green Century Capital Management
114 State Street, Suite 200, Boston, MA 02109
www.greencentury.com
617-482-0800/1-800-934-7336
tpeterson@greencentury.com

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From: John Sullivan <jsullivan@costco.com>
Sent: Friday, August 13, 2021 11:17:48 AM
To: Thomas Peterson
Cc: Annalisa Tarizzo
Subject: Re: Shareholder proposal for 2022 Annual Shareholder Meeting

Apologies but can you check the 23rd as well please.

On Fri, Aug 13, 2021 at 7:32 AM Thomas Peterson <tpeterson@greencentury.com> wrote:

John,

Thank you for your email. We would be available to meet any time between 12pm and 3pm Pacific Time on the 24th, or between 9am and 1pm PT on the 25th. My colleague Annalisa Tarizzo will be joining the call as well. I look forward to our dialogue.

Best,

Thomas

Thomas Peterson
Shareholder Advocate
Green Century Capital Management
114 State Street, Suite 200, Boston, MA 02109
www.greencentury.com
617-482-0800/1-800-934-7336
tpeterson@greencentury.com

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Stocks will fluctuate in response to factors that may affect a single company, industry, sector, country, region or the market as a whole and may perform worse than the market. Foreign securities are subject to additional risks such as currency fluctuations, regional economic and political conditions, differences in accounting methods, and other unique risks compared to investing in securities of U.S. issuers. Bonds are subject to a variety of risks including interest rate, credit, and inflation risk. A sustainable investment strategy which incorporates environmental, social and governance criteria may result in lower or higher returns than an investment strategy that does not include such criteria.

From: John Sullivan <jsullivan@costco.com>
Sent: Thursday, August 12, 2021 6:28:46 PM
To: Thomas Peterson
Subject: Re: Shareholder proposal for 2022 Annual Shareholder Meeting

Tom, please suggest a few times that work for you for a call on the 24th or 25th please. It would be with Sheri and me. Thanks.

On Wed, Aug 11, 2021 at 10:17 AM Thomas Peterson <tpeterson@greencentury.com> wrote:

Dear Mr. Sullivan,

I hope this message finds you well. I am writing to let you know that I have just been notified by FedEx that Green Century's shareholder proposal for Costco's 2022 Annual Shareholder Meeting has been delivered to the address provided in the proxy,

999 Lake Drive, Issaquah, Washington 98027.

I am also attaching a digital copy of the filing letter, proposal, and proof of ownership for your convenience.

We welcome the opportunity to discuss the subject of the proposal with company representatives, and would appreciate confirmation of receipt of this letter via email.

Sincerely,

Thomas Peterson

Thomas Peterson
Shareholder Advocate
Green Century Capital Management
114 State Street, Suite 200, Boston, MA 02109
www.greencentury.com
617-482-0800/1-800-934-7336
tpeterson@greencentury.com

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Sheri L. Flies
Vice President
Global Sustainability and Compliance
COSTCO WHOLESALE CORPORATION
999 Lake Drive
Issaquah, WA 98027
425-427-3965
sflies@costco.com

September 13, 2021

Dear Sheri and John,

Thank you for your engagement as Costco has looked to advance its work to implement greenhouse gas emissions disclosure and target-setting for its full value chain. We look forward to continued dialogue on these issues, and hope that the Company will move towards signing an SBTi Business Ambition for 1.5° C Commitment Letter.

The purpose of this letter is to document that Green Century Capital Management agrees to withdraw its proposal for the 2022 Annual Meeting of Shareholders in exchange for Costco Wholesale Corporation agreeing to undertake the actions set forth in Exhibit A.

Exhibit A
Costco Wholesale Corporation agrees to…

1. For Climate Action Plan ("Plan") Point 9: "establish an estimated milestone date of December 2022. At that time we will publish our Scope 3 action plan that will focus on how we can do our part to limit warming to 1.5° C per the Paris Agreement." In the Scope 3 action plan, Costco will:
    a. Disclose estimated Scope 3 emissions, inclusive of emissions from two categories ("Waste Generated from Operations" and "Purchased Goods and Services," which includes estimated emissions from agriculture and land-use change).
    b. Set absolute emissions reduction targets for the Scope 3 emissions categories described above. These targets will align with limiting warming to 1.5°C, and therefore put Costco on track to substantially reduce value chain greenhouse gas emissions by 2030 and reach net-zero value chain greenhouse gas emissions by no later than 2050.
2. "Reflect the new December 2022 estimated milestone for [disclosing and setting emissions reduction targets for Scope 3 emissions in a public] update to our Sustainability Commitment on or before December 2021."
3. "To determine our Scope 3 action plan, we will continue to…refer to the existing SBTi guidance on Forest, Land and Agriculture (FLAG), although we understand updated versions are currently under consideration; Gold Standard's Value Change Initiative; and GHG Protocol's existing Scope 3 Calculation Guidance and Scope 3 Evaluator tool in our analysis. We also intend to consult the GHG Protocol's forthcoming guidance on carbon removals accounting, bioenergy accounting and topics related to land-use emissions as we consider our approach to Scope 3 reductions."
4. Publish a current update on beef supplier sourcing regions in our CDP Forests disclosure in 2022.
5. Meet with Green Century in July 2022 to provide progress updates, and continue meeting with Green Century as reasonably requested regarding the Company's progress on assessing and mitigating climate-related risks.

Green Century agrees to withdraw the proposal upon the execution of this letter by the Company and Green Century.

GREEN CENTURY CAPITAL MANAGEMENT, INC.
114 STATE STREET, SUITE 200 BOTON, MA 02143
tel 617-482-0800
www.greencentury.com

We appreciate and thank you for your work on this important issue.

Sincerely,

____
Leslie Samuelrich
President
Green Century Capital Management

____
[Insert name and title]
Costco Wholesale Corporation

GREEN CENTURY CAPITAL MANAGEMENT, INC.
114 STATE STREET, SUITE 200 BOTON, MA 02143
tel 617-482-0800
www.greencentury.com

September __, 2021

Dear Sheri and John,

Thank you for your engagement as Costco has looked to advance its work to implement greenhouse gas emissions disclosure and target-setting for its full value chain. We look forward to continued dialogue on these issues, and hope that the Company will move towards signing an SBTi Business Ambition for 1.5° C Commitment Letter.

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For Climate Action Plan ("Plan") Point 9: "establish an estimated milestone date of December 2022. At that time we will publish our Scope 3 action plan that will focus on how we can do our part to limit warming to 1.5° C per the Paris Agreement." In the Scope 3 action plan, Costco will:

~~1.~~ Disclose estimated Scope 3 emissions~~, inclusive of emissions~~ from two categories: ~~(~~"Waste Generated from Operations" and "Purchased Goods and Services," ~~which includes estimated emissions from agriculture and land-use change).~~

~~2.~~1. Set forth its progress to determine its absolute emissions reduction targets for the Scope 3 emissions categories described above. These targets will align with limiting warming to 1.5°C and will refer to the guidance as set forth in paragraph 3 below. ~~, and therefore put Costco on track to substantially reduce value chain greenhouse gas emissions by 2030 and reach net-zero value chain greenhouse gas emissions by no later than 2050~~.

2. "Reflect the new December 2022 estimated milestone for [disclosing and setting emissions reduction targets for Scope 3 emissions in a public] update to our Sustainability Commitment on or before December 2021."
3. "To determine our Scope 3 action plan, we will continue to...refer to the existing SBTi guidance on Forest, Land and Agriculture (FLAG), although we understand updated versions are currently under consideration; Gold Standard's Value Change Initiative; and GHG Protocol's existing Scope 3 Calculation Guidance and Scope 3 Evaluator tool in our analysis. We also intend to consult the GHG Protocol's forthcoming guidance on carbon removals accounting, bioenergy accounting and topics related to land-use emissions as we consider our approach to Scope 3 reductions."

~~4.~~ Publish a current update on our Kirkland Signature beef supplier sourcing regions in our CDP Forests disclosure in 2022, per our current 2020 Sustainability Commitment and agreement with you last year.~~.~~

~~5.~~4. Meet with Green Century in July 2022 to provide progress updates, and continue meeting with Green Century as reasonably requested regarding the Company's progress on assessing and mitigating climate-related risks.

Green Century agrees to withdraw the proposal upon the execution of this letter by the Company and Green Century.

We appreciate and thank you for your work on this important issue.

Sincerely,

____

Leslie Samuelrich

President

Green Century Capital Management

____

[Insert name and title]

Costco Wholesale Corporation

Costco 2021 Climate Action Plan Progress Update

Introduction

Costco remains committed to doing our part to address global climate change. Our inaugural multi-year (2021-2024) Phase 1 Climate Action Plan was published in December 2020 and takes a comprehensive and holistic approach to mitigate the effects of climate change in our business. We understand that many aspects of our business are impacted by climate change and to begin addressing the interconnectivity of these issues, we have adopted initial SDG goals.

Our Plan prioritizes the mitigation of Scope 1, 2 and 3 carbon dioxide-equivalent (CO2e) emissions in alignment with emerging global standards and frameworks. We also understand the critical importance of water to the health and longevity of life on earth, and the impact of climate change and a growing global population will have on the supply and availability of clean water. We believe water conservation efforts are inherently linked to our efforts to reduce CO2e emissions and therefore are a central component to our Climate Action Plan.

2021 represents the first full year of integrated Climate Action across our enterprise. We learned a lot this past year and remain committed to strengthening and improving the quality of life of our members, employees, our suppliers and their employees, and the communities we serve worldwide. Below is a snapshot of our progress in 2021.

1. Assess the materiality of the United Nations Sustainable Development Goals (SDGs)

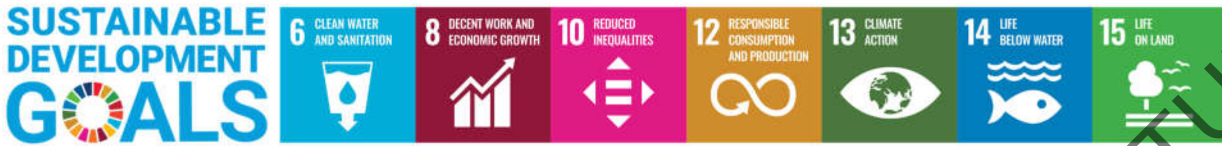
#	Target Actions	Key Milestone(s)	Est. Milestone Date(s)
GLOBAL FRAMEWORK			
1	**Assess the materiality of United Nations Sustainable Development Goals (SDGs)** to Costco's business, including quantification of material climate risks to the business, and commit to high-priority, specific, and actionable SDGs and metrics.	1. Develop commitment to priority SDG's and metrics 2. Align ESG program to priority SDGs and metrics; measure and report progress	**1. Dec 2021** **2. Ongoing**

STATUS: Step 1 of this work is **COMPLETED** while Step 2 is **ON TRACK**.

Progress Update: Costco assessed the materiality of the United Nations Sustainable Development Goals ("SDGs") to create a framework for prioritizing its Climate Action Plan. The SDGs are a set of 17 globally-accepted 2030 goals and targets that balance economic, social and environmental dimensions of sustainable development. Our work in 2021 included the quantification of material climate risks and opportunities and the identification of materially-relevant 2030 SDGs and targets. Costco identified 7 priority UN SDGs:

- Clean Water and Sanitation (6);
- Decent Work and Economic Growth (8);
- Reduced Inequalities (10);
- Responsible Consumption and Protection (12);

- Climate Action (13);
- Life Below Water (14); and,
- Life on Land (15).



We also aligned Costco's existing Environmental, Social and Governance (ESG) program portfolio and core metrics to our priority SDGs. We will publicly disclose our SDG commitments and report on our initial KPIs in our December 2021 Sustainability Commitment.

2. Confirm climate change regulatory requirements

#	Target Actions	Key Milestone(s)	Est. Milestone Date(s)
GLOBAL CONTEXT			
2	**Confirm climate change regulatory requirements** via a global legal and policy landscape assessment.	Complete global climate change regulatory landscape assessment	**Dec 2020**

STATUS: This work is **ON TRACK and will be changed to ONGOING**, as we recognize the need for ongoing policy and regulatory analysis given the clear acceleration of government-related climate action across the world and new regulations being proposed.

Progress Update: In 2021, we completed an evaluation of climate-related policy and regulatory requirements and trends in geographic locations where Costco has a physical footprint. From this we created a policy risk framework to inform our approach to established and emerging non-financial public disclosures and climate-related regulatory requirements. Climate policy risk scores were assigned to each geographic location based on potential indirect and direct impacts of current and pending legislation on our business.

3. Conduct a global review of company, industry, and market climate alliances

#	Target Actions	Key Milestone(s)	Est. Milestone Date(s)
GLOBAL CONTEXT			
3	**Conduct a global review of company, industry, and market climate alliances** (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**

STATUS: This work is **ON TRACK** to meet our December 2021 milestone.

Progress Update: Costco initiated a review of global climate action partnerships and alliances in order to identify and learn from evidence-based, scientifically valid best practices. So far, this work has included profiling more than one hundred global climate alliances and partnerships, with assessment criteria based on alignment with Costco's ESG strategy and the potential impact of the partnership and/or alliance.

4. Identify the core capabilities

#	Target Actions	Key Milestone(s)	Est. Milestone Date(s)
CORE CAPABILITIES			
4	**Identify the core capabilities (e.g., technology, data, processes, systems, and expertise) we need to build** to deliver on our Climate Action Plan.	Complete internal capabilities gap assessment	**Dec 2021**

STATUS: This work is **ON TRACK** to meet our December 2021 milestone.

Progress Update: Costco is continually evaluating its core capabilities to deliver on its Climate Action Plan (e.g., technology, data, process, systems, and expertise). We determined areas where we need assistance and in response, we have retained outside expertise and/or hired new personnel.

5. Assess and validate FY20 enterprise-wide energy, water, waste, and emissions baseline data sets

#	Target Actions	Key Milestone(s)	Est. Milestone Date(s)
BASELINES AND EDUCATION			
5	**Assess and validate our FY20 enterprise-wide energy, water, waste, and emissions baseline data sets.*** *We will evaluate facility-level data based upon operational use, such as retail warehouse locations, depots and distributions centers, and manufacturing. *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.*	1. Establish a reliable enterprise-wide energy, water, waste and emissions baseline data sets for FY20 2. Publish 2020 data to the CDP	**1. Aug 2021** **2. Aug 2021**

STATUS: This work is **ON TRACK** and while we will not meet our Aug 2021 milestones, we anticipate we will be completed by December 2021.

Progress Update: We have established our enterprise wide emissions 2020 data baseline and are in the process of having this data assessed and verified by the third party SCS Global. We anticipate receiving the assessment in September 2021. We intend to publish our emissions data with CDP in September 2021. We are in the process of finalizing our enterprise-wide energy, water and waste 2020 data baselines. We intend to use these baselines to measure our future actions to reduce our emissions, waste, and water and energy consumption.

6. Develop and implement a plan to address energy and refrigeration

#	Target Actions	Key Milestone(s)	Est. Milestone Date(s)
BASELINES AND EDUCATION			
6	**Develop 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.	1. Energy and Refrigeration Assessment complete 2. Begin Energy and Refrigeration Plan implementation	**1. Dec 2021** **2. Jan 2022**

STATUS: This work is **ON TRACK** to meet our December 2021 and January 2022 milestones.

Progress Update: We have a multi-faceted plan to address energy and emissions that continues to expand as we learn more and as new governmental regulations are implemented. To date this plan includes:

- Conversion of refrigeration systems to CO_2
- Review of our cooling and heating systems with an approach to integrate them with our refrigeration systems for optimal performance
- Piloting various systems to detect refrigerant leaks
- Location level collection of refrigerant data
- Elimination of skylights in new construction and covering skylights in existing locations to lessen the workload of HVAC systems
- Purchase of renewable energy and/or installation of solar energy systems where feasible
- SOPs and employee trainings to address refrigeration maintenance and energy consumption

7. Create accountability through incentive pilots and recurring employee communications

#	Target Actions	Key Milestone(s)	Est. Milestone Date(s)
BASELINES AND EDUCATION			
7	**Create accountability through incentive pilots and recurring employee communications** that build capacity, promote behavior change and foster a culture of continuous learning that accelerate our Plan.	1. Implement US Warehouse ESG Dashboards 2. Implement internal ESG-related recognition pilots 3. Create and implement Climate Action Plan employee education and awareness 4. Develop Global Warehouse ESG Dashboards	**1. US ESG Dashboards** • Environmental Compliance: **Dec 2021** • Water: **Dec 2021** • Energy: **Dec 2022** • Waste: **Dec 2023** • Emissions: **Dec 2023** **2. Dec 2021** **3. Dec 2021** **4. Dec 2024**

STATUS: This work is **ON TRACK** to meet our December 2021 milestones.

Progress Update: We believe one of the best ways to meet our Plan goals and reduce our absolute emissions and water usage is to determine our total emissions and water usage at the location level. Therefore we have spent the last year creating dashboards which will give our locations accurate location level data. To date, we have (1) created and launched the environmental compliance dashboard that tracks a location's compliance with legal regulations and company policies and (2) created and are currently piloting the water dashboard.

In addition, we have created the STAR (Sustainability Technical Assistance Review) system that will award a star to each location that meets the requirements for each of our 5 areas of focus (environmental compliance and reduction of water, energy, waste and emissions). We also have begun to share success stories throughout the company that highlight reductions of the STAR programs as a way to learn from each other. We have created job aids, SOPs, posters, newsletters and numerous educational training programs.

8. Confirm Multi-year Scope 1 and 2 absolute carbon dioxide equivalent emissions reduction commitments

#	Target Actions	Key Milestone(s)	Est. Milestone Date(s)
COMMITMENT			
8	**Confirm multi-year Scope 1 and 2 absolute carbon dioxide equivalent emissions reduction commitments** and specific actions to meet those goals after analysis of 3-year emission trends (FY19-21).	Publish commitments and action plan	**Dec 2022**

STATUS: This work is **ON TRACK** to meet our December 2022 milestones.

Progress Update: We are in the process of calculating and validating our carbon dioxide-equivalent emissions (CO_2e) so that we can develop and publish our greenhouse gas emission reduction in alignment with the Science Based Target Initiative guidance. We are invested in the identification and public disclosure of achievable CO_2e reduction targets unique to Costco's global footprint by December 2022.

To that end, we:

- Continue to quantify and verify Scope 1 and 2 emissions from our operations and are beginning to quantify Scope 3 emissions from operational waste;
- Assess strategies to minimize Scope 3 emissions within our supply chains
- Calculate our global water usage and evaluate water conservation strategies across our operations
- Learn from leading organizations and standards-setting bodies about methods to meaningfully and proportionally reduce our climate impact in the coming decades; and,
- Educate our employees on the business imperative of climate action.

9. Examine Scope 3 best practices, trends, and opportunities

#	Target Actions	Key Milestone(s)	Est. Milestone Date(s)
UNDER REVIEW			
9	**Examine Scope 3 best practices, trends, & opportunities** to address supply chain emissions, building off existing waste-to-landfill and closed loop product pilot programs	Ongoing	**Ongoing**

STATUS: This work is **ON TRACK**.

Progress Update: We are taking action to better understand the scope and scale of our Scope 3 Indirect emissions footprint, which remains outside direct control of our Operations.

- We are in the process of developing the initial estimates for two Scope 3 categories: “Waste Generated from Operations” and “Purchased Goods and Services”.
- The work to identify scope 3 best practices is ongoing and includes developing a Scope 3 strategy that prioritizes Kirkland Signature products.

10. Examine ESG reporting methods, best practices, trends, and opportunities

#	Target Actions	Key Milestone(s)	Est. Milestone Date(s)
UNDER REVIEW			
10	**Examine ESG reporting methodologies, best practices, trends, & opportunities** with emphasis on Sustainability Accounting Standards Board (SASB) and Task Force on Climate-related Financial Disclosures (TCFD).	Ongoing	**Ongoing**

STATUS: This work is **ON TRACK**.

Progress Update: We have adopted the Sustainability Accounting Standards Board (SASB) framework for “Multiline and Specialty Retailers & Distributors” and “Food Retailers and Distributors” as the two SASB industries most relevant to our business. With the assistance of third-party ESG Reporting consultants, we conducted a data quality risk assessment and created information governance frameworks and procedures for selected key metrics. Given our process thus far, we’ve identified a subset of SASB metrics for 2021 reporting in our December 2021 update to our Sustainability Commitment.

We conducted an initial global warming scenario analysis in 2021 and will extend our public disclosures in alignment with the Task Force on Climate-related Financial Disclosures (TCFD) framework in 2022.

In August 2021, we established an executive-level ESG Advisory Committee to support the enterprise governance of our ESG program portfolio including oversight of our Climate Action Plan implementation.

Exhibit B

Climate Action Plan

Doing the right thing – for our members, employees, suppliers, investors, and the health of our global community – is a driving force for continuous improvement at Costco and creates the foundation of our Climate Action Plan.

INTRODUCTION

At today's rate of growth of global carbon dioxide equivalent (CO2e) 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 Scope 1, 2 and 3 CO2e emissions. 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) CO2e 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 CO2e 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 Review (STAR) to formalize standards and requirements in five key focus areas below. The STAR 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. For more information, please visit our Environmental Compliance page.
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. For more information, please visit our Water Minimization page.
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. For more information, please visit our Energy & Refrigeration page.
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. For more information, please visit our Waste Minimization page.
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. For more information, please visit our Energy & Refrigeration page.

Scope 3 Emissions

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_2e 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)
GLOBAL FRAMEWORK			
1	**Assess the materiality of United Nations Sustainable Development Goals (SDGs)** to Costco's business, including quantification of material climate risks to the business, and commit to high-priority, specific, and actionable SDGs and metrics	1. Develop commitment to priority SDG's and metrics 2. Align ESG program to priority SDGs and metrics; measure and report progress	**1. Dec 2021** **2. Ongoing**
GLOBAL CONTEXT			
2	**Confirm climate change regulatory requirements** via a global legal and policy landscape assessment	Complete global climate change regulatory landscape assessment	**Dec 2020**
3	**Conduct a global review of company, industry, and market climate alliances** (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**
CORE CAPABILITIES			
4	**Identify the core capabilities (e.g., technology, data, processes, systems, and expertise) we need to build** to deliver on our Climate Action Plan	Complete internal capabilities gap assessment	**Dec 2021**
BASELINES AND EDUCATION			
5	**Assess and validate our FY20 enterprise-wide energy, water, waste, and emissions baseline data sets.*** *We will evaluate facility-level data based upon operational use, such as retail warehouse locations, depots and distributions centers, and manufacturing. *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.*	1. Establish a reliable enterprise-wide energy, water, waste and emissions baseline data sets for FY20 2. Publish 2020 data to the CDP	**1. Aug 2021** **2. Aug 2021**
6	**Develop 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.	1. Energy and Refrigeration Assessment complete 2. Begin Energy and Refrigeration Plan implementation	**1. Dec 2021** **2. Jan 2022**
7	**Create accountability through incentive pilots and recurring employee communications** that build capacity, promote behavior change and foster a culture of continuous learning that accelerate our Plan	1. Implement US Warehouse ESG Dashboards 2. Implement internal ESG-related recognition pilots 3. Create and implement Climate Action Plan employee education and awareness 4. Develop Global Warehouse ESG Dashboards	**1. US ESG Dashboards** • Environmental Compliance **Dec 2021** • Water: **Dec 2021** • Energy: **Dec 2022** • Waste: **Dec 2023** • Emissions: **Dec 2023** **2. Dec 2021** **3. Dec 2021** **4. Dec 2024**
COMMITMENT			
8	**Confirm multi-year Scope 1 and 2 absolute carbon dioxide equivalent emissions reduction commitments** and specific actions to meet those goals after analysis of 3-year emission trends (FY19-21)	Publish commitments and action plan	**Dec 2022**
UNDER REVIEW			
9	**Examine Scope 3 best practices, trends, & opportunities** to address supply chain emissions, building off existing waste-to-landfill and closed loop product pilot programs	Ongoing	**Ongoing**
10	**Examine ESG reporting methodologies, best practices, trends, & opportunities** with emphasis on Sustainability Accounting Standards Board (SASB) and Task Force on Climate-related Financial Disclosures (TCFD)	Ongoing	**Ongoing**

CURRENT CO2e EMISSIONS TRACKING

As we roll out our Climate Action Plan, we will continue, as appropriate and until stated otherwise, to report our emissions and participate in the CDP, established by the GHG Protocol Corporate Accounting and Reporting Standard. Costco Wholesale reports Scope 1 and Scope 2 emissions to align with the Intergovernmental Panel on Climate Change (IPCC) and Reporting Standard.

- Scope 1 Direct Emissions include all natural gas and propane provided to owned or controlled facilities used for heating or food processing and manufacturing. Included in direct emissions are diesel used by Costco's truck fleets, refrigerated trailers and yard haulers; propane to power mobile floor scrubbers; jet fuel for corporate jets and fugitive emissions from leakage of HFC refrigerants from refrigeration and air conditioning equipment.
- Scope 2 Indirect Emissions are for purchased electricity and comprise the largest percentage of our total Scope 1 and 2 GHG emissions.

We continue to work toward managing our carbon footprint growth to less than our company sales growth. For the reporting period of 2019, we achieved that goal, as noted in our carbon footprint summary below.

We are working hard to decrease our energy usage and associated CO2e. For the 2019 reporting period, our percentage CO2e increase was the lowest since we began calculating it, despite adding more warehouse locations and expanding our reporting to include manufacturing plants, which includes our new chicken plant. Details are stated below.

COSTCO'S SCOPE 1 & 2 CARBON EMISSIONS SUMMARY

	SALES (in thousands)	tCO2e (tons of carbon dioxide emitted)	tCO2e % Increase (over prior year)	Sales % Increase(3) (over prior year)
Total in Covered Regions in 2016(1)	$109,207,104	2,250,906	13.4%	2.1%
Total in Covered Regions in 2017(2)	$131,652,651	2,358,629(4)	4.5%(4)	12.31%
Total in Covered Regions in 2018(5)	$142,645,070 (6)	2,508,419	6.5%	8.3%
Total in Covered Regions in 2019(7)	$152,794,393	2,573,155	2.6%	7.1%

(1) Includes the following regions: U.S., Puerto Rico, Canada, Australia, Mexico, Spain, and the UK. These tCO2e numbers have been restated for 2016 to include all refrigerant resulting in an additional 127,481.8 CO2e. IPCC reporting guidelines offers a choice to include or exclude HCFC. Costco has revised internal policies to include refrigerants as a more appropriate method of calculating emissions.

(2) Includes the following regions: US, Puerto Rico, Canada, Australia, UK, Mexico, Spain, Japan, South Korea, France, Iceland, and Taiwan. Costco has refined reporting to include all facilities in all regions, and all reportable sources.

(3) In 2017, we included all operations worldwide in our calculations. Therefore, the corresponding calculation of year-over-year sales uses 2016 worldwide sales of $117,223,539.

(4) Restated to align with CDP reported numbers for the 2017 reporting year.

(5) Includes the following regions: Australia, Canada, France, Iceland, Japan, Mexico, Puerto Rico, Spain, South Korea, Taiwan, UK, and the U.S.

(6) Restated Sales number for 2018.

(7) Includes all regions worldwide where we do business, including Scope 1 and 2 for China, which opened for business within the reporting year. Includes Scope 1 and 2 emissions for all manufacturing facilities for the duration they were open in the reporting year, including the Lincoln Premium Poultry plant in Nebraska, U.S.

Throughout our Sustainability Commitment, you will find numerous references to our practices and operational efficiencies that help minimize our CO2e emissions, including our efforts stated on our Energy and Refrigeration page.

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