

RESOLVED: Shareholders request Costco Wholesale Corporation adopt absolute, time-bound quantitative, company-wide targets, taking into consideration the most recent Intergovernmental Panel on Climate Change (IPCC) guidance for reducing total greenhouse gas (GHG) emissions and issue a report by May 2015, at reasonable cost and omitting proprietary information, on its plans to achieve these goals.

Supporting Statement

In order to mitigate the worst impacts of climate change, the IPCC estimates that a 50 percent reduction in GHG emissions globally is needed by 2050 (relative to 1990 levels) to stabilize global temperatures, entailing a U.S. target reduction of 80 percent.

The costs of failing to address climate change are significant and could lead to a 5% loss of global GDP (Stern Review, 2006). *Risky Business*, a recent analysis of climate change impact, finds serious economic effects including property damage, shifting agricultural patterns, reduced labor productivity, and increased energy costs. These effects could substantially impact a company's business operations, revenue, or expenditure. Similarly, Costco acknowledges in its 10-K that "*climate change could affect our ability to procure needed commodities at costs and in quantities we currently experience.*"

Setting GHG emission targets is widespread among U.S. companies and can have positive financial outcomes. Presently, 60 percent of Fortune 100 companies have GHG reduction commitments, renewable energy commitments, or both. A report published by WWF, Carbon Disclosure Project (CDP), and McKinsey & Company, *The 3% Solution: Driving Profits Through Carbon Reduction*, found that companies with GHG targets achieved an average of 9% better return on investment than companies without targets. Additionally, 79% of companies in the S&P 500 that report to CDP earn a higher return on their carbon reduction investments than on their overall corporate capital investments. Among the 53 Fortune 100 companies reporting on climate and energy targets to CDP, they are saving \$1.1 billion annually through their emission reduction and renewable energy initiatives. These goals enable companies to reduce costs, build resilient supply chains, and manage operational and reputational risk.

We are concerned Costco may be lagging behind industry peers. Target, Walmart, Kohls, CVS, Best Buy, Lowe's, Home Depot, Staples, Whole Foods, and Tesco have already demonstrated the feasibility of reducing GHG emissions by setting targets and some are already realizing savings. For example, Walmart expects to save \$1 billion per year through its renewable energy and energy efficiency goals.

Investors with \$92 trillion in assets have supported the CDP which received responses from 81% of companies in the Global 500 in 2013. Costco's response to date on how it is managing risks and opportunities related to climate change falls short. Costco declined to participate in the 2014 CDP and has not publicly set carbon emissions reductions or renewable energy targets. We believe this may have negative consequences for Costco and that it should address these issues with consideration of IPCC guidance.