

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

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

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

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

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

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

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

Failure to meet shifting consumer tastes and market demand and to keep pace with industry peers could expose the company to significant business risks, including

restricted market access, damage to its brand value, loss of goodwill, and supply chain disruption.

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

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

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