

As described in detail under “Compensation Discussion and Analysis,” our compensation programs are designed to motivate our executives to continue the success of the Company. If fully earned through achievement of performance targets, equity compensation in the form of restricted stock units (which are subject to further time-based vesting) is the largest component of executive compensation. We believe that our compensation program rewards sustained performance that is aligned with long-term shareholder interests. Shareholders are encouraged to read the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosure.

The Board of Directors unanimously recommends that you vote FOR the approval, on an advisory basis, of the compensation of our Named Executive Officers as disclosed in the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosure.

PROPOSAL 4: SHAREHOLDER PROPOSAL REQUESTING REPORT ON THE RISKS OF MAINTAINING DEI EFFORTS

The following shareholder proposal has been submitted to the Company for action at the Annual Meeting by the National Center for Public Policy Research, 2005 Massachusetts Avenue NW, Washington DC 20036. The proposal will be voted on at the Annual Meeting only if properly presented by or on behalf of the proponent.

PROPONENT’S STATEMENT IN SUPPORT OF SHAREHOLDER PROPOSAL

Supporting Statement: Last year, the US Supreme Court ruled in *SFFA v. Harvard* that discriminating on the basis of race in college admissions violates the equal protection clause of the 14th Amendment.¹ Prior legal advice regarding the legality of corporate Diversity, Equity and Inclusion (DEI) programs has been called into question post-*SFFA*.² As such, Attorneys General of 13 States warned Fortune 100 companies that *SFFA* implicated corporate DEI programs.³

Since *SFFA*, a number of DEI-related lawsuits have been filed. A corporation was successfully sued for a single case of discrimination against a white employee resulting in an award of more than \$25 million,⁴ and the risk of being sued for such discrimination appears to be rising.⁵ Additionally, many major companies have begun to roll back prior DEI commitments and lay off employees from DEI departments.⁶ Alphabet and Meta cut DEI staff and DEI-related investments,⁷ Microsoft laid off an entire a [sic] DEI team,⁸ as did Zoom,⁹ and John Deere publicly stated that it has halted many policies that were previously part of its DEI efforts¹⁰ after Tractor Supply explicitly stated that it has "eliminate[d] DEI roles and retire[d] our current DEI goals."¹¹

It's clear that DEI holds litigation, reputational and financial risks to the Company, and therefore financial risks to shareholders.

¹ <https://www.scotusblog.com/case-files/cases/students-for-fair-admissions-inc-v-president-fellows-of-harvard-college/>

² <https://freebeacon.com/democrats/starbucks-hired-eric-holder-to-conduct-a-civil-rights-audit-the-policies-he-blessed-got-the-coffee-maker-sued/>

³ https://ag.ks.gov/docs/default-source/documents/corporate-racial-discrimination-multistate-letter.pdf?sfvrsn=968abc1a_2

⁴ <https://www.foxbusiness.com/features/starbucks-manager-shannon-phillips-wins-25-million-lawsuit-fired-white-donte-robinson-rashon-nelson>

⁵ <https://aflegal.org/america-first-legal-files-class-action-lawsuit-against-progressive-insurance-for-illegal-racial-discrimination/> ; <https://aflegal.org/afl-files-federal-civil-rights-complaint-against-actvision-for-illegal-racist-sexist-and-discriminatory-hiring-practices-and-sends-letter-to-actvision-board-demanding-they-end-unlawful-dei-policies/> ; <https://aflegal.org/america-first-legal-files-federal-civil-rights-complaint-against-kelloggs-warns-management-that-its-violating-fiduciary-duties/>

⁶ <https://techcrunch.com/2024/07/29/dei-backlash-stay-up-to-date-on-the-latest-legal-and-corporate-challenges/>

⁷ <https://www.cnn.com/2023/12/22/google-meta-other-tech-giants-cut-dei-programs-in-2023.html>

⁸ <https://www.businessinsider.com/microsoft-layoffs-dei-leader-email-2024-7>

⁹ <https://www.bloomberg.com/news/articles/2024-02-06/zoom-dei-workers-fired-in-recent-round-of-job-cuts>

¹⁰ <https://x.com/JohnDeere/status/1813318977650847944>

¹¹ <https://corporate.tractorsupply.com/newsroom/news-releases/news-releases-details/2024/Tractor-Supply-Company-Statement/default.aspx>

And yet Costco still has such a program, though it was apprehensive enough to recognize this as it recently and quietly rebranded its DEI program to "People and Communities."¹² But sticking a new label on discriminatory practices does not protect Costco and its shareholders from these risks.

The renamed program still openly expresses a "commitment to equity"¹³ (which means equality of outcome, not opportunity), still employs a "Chief Diversity Officer,"¹⁴ still has a supplier diversity program that picks suppliers based on their race and sex,¹⁵ still appears to factor in race and sex in hiring and promotion, and still contributes shareholder money to organizations that advance the discriminatory agenda of DEI.¹⁶ All of these practices are staples of corporate DEI programs and are consistent with Costco's DEI program prior to its rebranding.

With 310,000 employees,¹⁷ Costco likely has at least 200,000 employees who are potentially victims of this type of illegal discrimination because they are white, Asian, male or straight.¹⁸ Accordingly, even if only a fraction of those employees were to file suit, and only some of those prove successful, the cost to Costco could be tens of billions of dollars.

Resolved: Shareholders request that the Board conduct an evaluation and publish a report, omitting proprietary and privileged information, on the risks of the Company maintaining its current DEI (including "People & Communities") roles, policies and goals.

BOARD OF DIRECTORS' RESPONSE

The Board of Directors unanimously recommends a vote AGAINST this proposal.

Our Board has considered this proposal and believes that our commitment to an enterprise rooted in respect and inclusion is appropriate and necessary. The report requested by this proposal would not provide meaningful additional information to our shareholders, and the Board thus unanimously recommends a vote AGAINST this proposal.

Our success at Costco Wholesale has been built on service to our critical stakeholders: employees, members, and suppliers. Our efforts around diversity, equity and inclusion follow our code of ethics:

For our employees, these efforts are built around inclusion – having all of our employees feel valued and respected. Our efforts at diversity, equity and inclusion remind and reinforce with everyone at our Company the importance of creating opportunities for all. We believe that these efforts enhance our capacity to attract and retain employees who will help our business succeed. This capacity is critical because we owe our success to our now over 300,000 employees around the globe.

We welcome members from all walks of life and backgrounds. As our membership diversifies, we believe that serving it with a diverse group of employees enhances satisfaction. Among other things, a diverse group of employees helps bring originality and creativity to our merchandise offerings, promoting the "treasure hunt" that our customers value. That group also helps to provide insights into the tastes and preferences of our members. And we believe (and member feedback shows) that many of our members like to see themselves reflected in the people in our warehouses with whom they interact.

Having diversity in our supplier base, including appropriate attention to small businesses, is beneficial for many of the same reasons diversity benefits our Company. We believe that it fosters creativity and innovation in the merchandise and services that we offer our members.

¹² <https://web.archive.org/web/20220610163412/https://www.costco.com/sustainability-employees.html#diversity-equity-inclusion>; <https://www.costco.com/sustainability-people-communities.html>

¹³ https://mobilecontent.costco.com/live/resource/img/23w10059/2a-InclusionNEW_121223.pdf

¹⁴ Id.

¹⁵ https://mobilecontent.costco.com/live/resource/img/23w10059/2d-SupplierDiversity_NEW.pdf

¹⁶ https://mobilecontent.costco.com/live/resource/img/23w10059/2c-CommunitiesNEW1_121323.pdf

¹⁷ <https://www.costco.com/sustainability-people-communities.html>

¹⁸ <https://www.census.gov/quickfacts/fact/table/US/PST045222>

Consistent with our commitment to "obey the law," we regularly evaluate our practices concerning compliance with law, including evolving Supreme Court decisions. We believe that our diversity, equity and inclusion efforts are legally appropriate, and nothing in the proposal demonstrates otherwise. As part of our obeying the law, all decisions regarding recruiting, hiring, promotion, assignment, training, termination, and other terms and conditions of employment will be made without unlawful discrimination on the basis of race, color, national origin, ancestry, sex, sexual orientation, gender identity or expression, religion, age, pregnancy, disability, work-related injury, covered military or veteran status, political ideology or expression, genetic information, marital status, or other protected status.

Combined with our obedience to the law, service to our employees, members and suppliers has rewarded our shareholders. This is our code of ethics. Our focus on diversity, equity and inclusion is not, however, only for the sake of improved financial performance but to enhance our culture and the well-being of people whose lives we influence.

The proponent professes concern about legal and financial risks to the Company and its shareholders associated with the diversity initiatives. The supporting statement demonstrates that it is the proponent and others that are responsible for inflicting burdens on companies with their challenges to longstanding diversity programs. The proponent's broader agenda is not reducing risk for the Company but abolition of diversity initiatives. A 2023 federal district court decision, in a case brought by the proponent, noted that the proponent had "published a document called 'Balancing the Boardroom 2022,' which describes its shareholder activism as 'fighting back' against 'the evils of woke politicized capital and companies.' [The proponent went] on to describe 'CEOs and other corporate executives who are most woke and most hard-left political in their management of their corporations' as 'inimical to the Republic and its blessings of liberty' and 'committed to critical race theory and the socialist foundations of woke' or 'shameless monsters who are willing to sacrifice our future for their comforts.'" *National Center for Public Policy Research v. Schultz*, E.D. WA. (Sept. 11, 2023). And the proponent's efforts to demonstrate retrenchment on the part of companies are misleading, at best. For example, the assertion that "Microsoft laid off an entire a [sic] DEI team" is simply wrong. It was later reported that Microsoft stated that the two positions eliminated were redundant roles on its events team and that Microsoft's diversity and inclusion commitments remain unchanged, according to Jeff Jones, a Microsoft spokesperson: "Our focus on diversity and inclusion is unwavering and we are holding firm on our expectations, prioritizing accountability, and continuing to focus on this work." Colvin, Caroline. *Amid DEI cuts, Microsoft works to distinguish itself from those responding to 'woke' backlash*. HR Dive, July 24, 2024.

We believe that the proponent's request for a study reflects a policy bias with which we disagree and that further study and reporting would not be an efficient use of Company resources.

The Board of Directors recommends a vote AGAINST Proposal 4.

OTHER MATTERS

Neither the Board nor management intends to bring before the Annual Meeting any business other than the matters referred to in the Notice of Meeting and this Proxy Statement. If any other business should properly come before the Annual Meeting, or any adjournment thereof, the persons named in the proxy will vote on such matters according to their judgment.