FY25 CLIMATE RISK STATEMENT

Climate-related financial risk report

For Costco to thrive, the world must thrive. As one of the largest retailers in the world, we understand our responsibility to act sustainably.

Costco's approach to climate reporting is evolving as the world and regulatory environment are changing. We introduced our Task Force on Climate-Related Disclosures (TCFD) report in 2022, and this year's Climate Risk Statement continues to be aligned with the *Recommendations of the Task Force on Climate-related Financial Disclosures* (June 2017). We aim to comply with all current TCFD recommendations and follow the 2021 implementation guidance set forth by the TCFD.

We will continue to evolve as technology, challenges and opportunities present themselves, aligned with Costco's existing business strategy. Our actions and strategy are grounded in our Mission Statement and Code of Ethics, ensuring we continue to provide our members with quality goods and services at the lowest possible prices while obeying the law, taking care of our members and employees, respecting our suppliers, and rewarding our shareholders.

Governance

Board Oversight

Costco's Board of Directors oversees the efforts of executive management for managing risks and setting strategy, including as they relate to sustainability.

Management of sustainability matters is led by our Senior Vice President (SVP) of Global Sustainability and Compliance, who reports directly to the CEO and regularly engages with the Board and executive team, including periodic updates at monthly meetings of our global executive teams.

The Board exercises its oversight through a number of aligned governing bodies, as shown in the image below.

Roles and Responsibilities

The Board implements its risk oversight responsibilities primarily through the **Audit Committee**, which where appropriate receives management reports on potentially significant risks that the Company faces and how the Company is seeking to control risk.

Board members also discuss risk as a part of their review of the ongoing business-, financial-, and sustainability-related activities of the Company. In more limited cases, such as with risks of significant new business concepts and substantial entry into new markets, risk oversight is addressed as part of the full Board's engagement with the CEO and management.

Committees of the Board

The **Nominating and Governance Committee** exercises oversight regarding risks associated with corporate governance and certain issues relating to the Company's ethics, compliance programs, and environmental, diversity and sustainability policies and initiatives, including climate-related risks and opportunities. This Committee receives updates at least annually from the SVP of Global Sustainability and Compliance.

The **Audit Committee** reports to the full Board on its risk-management oversight, including the enterprise risk management review, which includes (among other matters) sustainability-related and climate risks.

The **Compensation Committee** determines the amount and form of compensation to executive officers, including (with the Nominating and Governance Committee) bonuses for meeting environmental and social objectives. We have aligned a portion of our executive compensation with ESG priorities and climate-related considerations through our Executive Bonus Plan. Climate-related considerations have included reductions in global energy intensity, and Scope 1 and 2 emissions intensity against sales, global operational participation in both energy and emissions reduction initiatives, supplier action through CDP reporting participation and product certification through ENERGY STAR™ or equivalent programs. More details on remuneration can be found in our proxy statement. Executive ESG bonus goals are set and reviewed annually. In FY25 this bonus was fully achieved.

Management's Role

The SVP of Global Sustainability and Compliance also chairs the **ESG Executive Advisory Council**, which brings together executive leaders from across the company twice a year to chart goals and ESG strategy.

Climate-related impacts, risks and opportunities are also considered in our company-wide enterprise risk management assessment and in our strategy-setting and decision-making processes. We have various management committees and working groups that set strategy regarding our business and provide updates on progress on current initiatives.

- **Global Energy Task Force**: Sets strategy for reductions in energy consumption and emissions; identifies and prioritizes energy-reduction initiatives that are aligned with Costco's existing business strategy; and monitors progress, including returns on energy-reduction investments. The task force comprises Sustainability, Construction, Purchasing, Finance and International executives, and meets twice a year. This task force is supported by a cross-functional working group, which meets periodically for updates on individual initiatives.

- **ESG Reporting Steering Committee**: Oversees ESG reporting requirements and monitors company initiatives for reporting purposes. The Committee meets periodically and comprises Financial Reporting, Energy, Legal, IT, Sustainability, Internal Audit and International teams. This committee is supported by a dedicated ESG Reporting team. In FY25, meetings included discussions on enterprise risk management, scenario planning, and double-materiality assessments.

Executive and senior management hold ad hoc meetings to discuss sustainability-related matters as they arise. In FY25, meetings included discussions on climate-related enterprise management risks, human rights, and merchandising.

Strategy

Our Climate-related Risks & Opportunities

We completed a double materiality assessment in FY25 to identify impacts, risks and opportunities for our business and our value chain. We engaged a third-party consultant to assist with our process which involved three phases:

- Identifying stakeholders and key topics
- Assessing impact to our business and stakeholders through factors of scale, scope, irremediability, likelihood and magnitude
- Reviewing and validating identified double material topics with key stakeholders

From these key topics, we identified impacts, risks and opportunities (IROs) relevant to climate-related physical and transition risk and conducted an in-depth quantitative scenario analysis to understand business and potential financial impacts. The risks identified have causes beyond the physical and transition impacts of climate change.

Scenario Planning

Our analysis included scenarios encompassing both physical and transition risks over our global operations. Two climate and Earth system model scenarios, representing higher and lower physical or transition risks, were analyzed for each IRO. The scenarios used are globally accepted and help to estimate the magnitude of exposure, as well as the sensitivity under different potential emissions-warming scenarios.

Source	Scenario Name	Description	Relevance
Physical Risks:			
Shared Socioeconomic Pathways (SSP), CMIP6	SSP2-4.5	2.1°- 3.5° Celsius warming by 2100. Social, economic and technological trends do not shift significantly from historical pattern	Comparative physical risk scenario. Intended to provide a business-as-usual reference scenario.
	SSP5-8.5	3.3° - 5.7° Celsius warming by 2100. Global markets are increasingly integrated, but growth is fueled by fossil fuels, relying on innovation and competitive markets to develop.	Highest physical risk scenario. Intended to quantify upper bounds of physical risk impacts on our operations and supply chain.
Transition Risks:			
Network for Greening the Financial System (NGFS)	Fragmented World	Assumes delayed and divergent climate policy ambition globally, leading to high physical and transition risks. Countries with net zero targets achieve these only partially (80% of the target), while other countries follow current policies.	Comparative transition risk scenario. Intended to provide a business-as-usual reference scenario.
	Net Zero 2050[1]	Ambitious scenario that limits global warming to 1.5° Celsius. Characterized by immediate policy change, fast technological change, and medium variation in regional policies	Highest risk transition scenario. Intended to quantify upper bounds of transition risk impacts on our operations and value chain. Models transition risk in a Paris Agreement-aligned scenario.

[1]The Network for Greening the Financial System Net Zero 2050 scenario was used to assess the net impact of reduced demand for gasoline and diesel and the impact of energy availability from the shift to a lower-carbon economy. Significant uncertainty surrounds the quantified impacts related to our assessment, and there are other contributing factors beyond climate change. Additionally, the 2025 geopolitical and macroeconomic conditions across our primary countries of operation are not aligned with the underlying political and social conditions modeled in NGFS Net Zero 2050.

The tables below provide a summary of climate-related risks that are impactful to our business over the short-, medium- and long-terms. Included are the estimated business impacts, a description of the potential financial impacts and our responses on risk mitigation and resiliency against these risks.

Quantitative impacts are currently excluded due to high uncertainty associated with forward-looking analysis, limitations from data availability and methodological challenges. The full analysis integrating potential impacts of mitigation and resilience-building activities has yet to be completed and will be evaluated for disclosure in future reporting periods.

Time Horizons Applied:

- Short-term (1 year): aligned with business planning cycles.
- Medium-term (5 years): aligned with business planning cycles and public-facing emissions reduction commitments.
- Long-term (25 years): aligned with globally accepted timeframes for climate-related commitments and targets.

Climate-related Risks & Opportunities

Effects on commodity supply and prices resulting from climate-related impacts and risks within the value chain.
Business Impact: Increasingly unpredictable growing seasons will likely strain key agricultural commodity supply chains and can lead to reductions in the availability of products, price fluctuations, and could adversely affect the satisfaction of our members.
Potential Financial Impact: Increased procurement costs; Decreased expected sales growth; Changing mix of sales
Response: We continue to invest in regenerative agriculture pilot programs, work to reduce deforestation in our supply chains, and contribute to biodiversity conservation efforts. We execute these initiatives through supplier engagement and with a focus on Kirkland Signature products.
Risk Type: Physical- Acute and Chronic
Time-Horizon: Medium-to-Long term

Impact on Costco's operations due to water-related risk in regions of high-water stress.
Business Impact: High- and very-high water stressed regions can experience increasing operational costs, sales interruptions, and/or restrictions on where and how Costco can grow its business.
Potential Financial Impact: Increased utility costs; Decreased expected sales growth
Response: We continue to invest in water-resilience measures in high- water stressed regions within our operations and have expanded our efforts to increase water efficiency and the responsible management of water. At some locations we have invested in onsite wastewater treatment plants, storage tanks for backup water supply, and rainwater capture for landscaping irrigation.
Risk Type: Physical- Chronic
Time-Horizon: Long-term

The financial and operational impacts due to availability and cost volatility of energy from the transition to a low-carbon economy.
Business Impact: The increase in global demand for electricity can lead to lost sales from delayed openings and can increase costs across our operations.
Potential Financial Impact: Increased operational expenses and utility costs; Increased capital expenditures; Decreased expected sales growth
Response: We are investing in onsite solar generation and battery storage within our global operations to provide operational electricity for some facilities, as well as added resilience with these microgrid systems during disasters or blackouts.
Risk Type: Transition- Market and Technology
Time-Horizon: Medium-to-Long term

Net impact of reduced demand for gasoline and diesel, and increased demand for electricity and electric vehicle (EV) charging due to the shift towards EVs.
Business Impact: The shift towards e-vehicles and away from internal combustion engine vehicles can lead to a net impact of reduced demand and sales for gasoline and diesel and increased market share and revenue for electricity and EV charging.
Potential Financial Impact: Decreased gasoline and diesel sales; Decreased operating Income; Increased capital expenditures; Increased revenue for EV charging
Response: We are expanding our member-facing EV charging strategy to markets with increasing EV penetration, sufficient energy supply, and broader member demand drivers. We continue to monitor member preferences and consumer trends and adapt our strategy accordingly.
Risk Type: Transition- Market
Time-Horizon: Long-term

Strategy and Climate Resilience

The risks identified above inform our holistic sustainability strategy across our operations and supply chain. Our strategy is closely aligned to the core needs of our business, identifying areas of opportunity to create value for our business and members.

We continue to make sustainability-related investments in our operations that are aligned with our existing business strategy. These are intended to create long-term value to our business, including, but not limited to, operational cost savings, improved operating procedures for our employees, and progress towards achieving overarching sustainability commitments, including our Scope 1 and 2 reduction targets. Additionally, we are engaging in a variety of resilience building initiatives to mitigate risk and support our upstream supply chain. These initiatives are intended to create long-term resilience for our business and make progress towards our Scope 3 intensity reduction target.

As part of our ongoing risk-management procedures, we will continue to assess our response to climate-related physical and transition risks and ability to pursue opportunities. For more information on our strategy and actions to meet our emission reduction targets, please refer to the Climate section within our 2025 Costco Sustainability Report.

Risk Management

Identification & Assessment

Sustainability- and climate-related topics are included within our global climate-related risk assessment, which integrates with the company-wide enterprise risk management (ERM) process. Internal Audit facilitates the bi-annual ERM assessment, conducted through discussion with executive leaders across the Company. Senior management develops risk responses for each identified risk. The Enterprise Risk Committee reviews the risks and related responses for classification and global prioritization. In addition to our ERM assessments, we also identify risks and opportunities through our double materiality assessment, scenario analysis, the consideration of industry factors and external factors (such as emerging regulatory requirements), as well as prior audit findings.

Risk mitigation and control activities are focused on the most impactful risks to our business over the medium- and long-term by evaluating the nature of the risk with our ability for influence or mitigation. The potential impact on our financial position and performance due to climate-related issues will be assessed and prioritized strategically based on magnitude of expected impact, anticipated timing, and physical locations at risk.

Ongoing risk management involves discussions on risks and related responses with senior management and the ESG Executive Advisory Council, and presentation of activities to the CEO and Audit Committee of the Board of Directors. Significant risks and related management activities are presented to the Board of Directors, as referenced in the Governance section above.

Metrics and Targets

The Climate section within our 2025 Costco Sustainability Report discusses in detail our climate-related reduction commitments, metrics and targets, including our Scope 1, 2 and 3 emissions. Costco embraces transparency in climate reporting through frameworks such as CDP, where we have regularly shared our progress for over a decade.

Our approach to reducing emissions is to set targets accompanied with pragmatic action plans. Costco has committed to what we see as ambitious yet achievable targets:

- **Scope 1 and 2 emissions:** Operate with electricity from 100% clean energy sources by 2035.[1] Reduce emissions created by our direct operations by 39% in absolute terms by 2030, compared to our 2020 baseline.[2] Reduce our refrigerant Global Warming Potential (GWP) by 30% as compared to our 2020 baseline.[3]

- **Scope 3 emissions:** Reduce emissions intensity in our supply chain (upstream and downstream of our direct operations, excluding emissions from our fuel business) by an estimated 20% by 2030, compared to our 2020 baseline.[5]

The scope of these targets aligns with Costco's emissions reporting boundary applying the operational control approach. Our emissions data was calculated following the GHG Protocol and has been verified to a limited level of assurance through FY24. Per the GHG Protocol, we report all greenhouse gas emissions in CO_2-equivalents (CO_2e).

Greenhouse Gas Emissions

Greenhouse Gas Emissions				
Metric	**Unit of Measure**	**CY20[2]**	**FY23**	**FY24**
Total Greenhouse Gas Emissions	MT CO_2e	153,967,961	193,000,284	182,192,276
Scope 1	MT CO_2e	1,205,620	1,424,357	1,287,937
Scope 2 - Location	MT CO_2e	1,457,413	1,455,121	1,462,626
Scope 2 - Market	MT CO_2e	1,408,963	1,336,087	1,272,682
Scope 3[4]	MT CO_2e	151,353,378	190,239,840	179,631,657
S3 Intensity[5] (Ex-fuel, inflation-adjusted)	MT CO_2e / \$M Net Sales	644	616	533

We disclose additional metrics within our 2025 Costco Annual Sustainability Report that assess progress of strategy in response to our climate-related risks. See the table below for these metrics:

Category	Metric Index
Commodity supply	Reference: Biodiversity and Nature in the 2025 Costco Sustainability Report – Table 13 - Beef – Table 14 - Cocoa – Table 15 - Coffee – Table 16 - Palm – Table 17 - Seafood – Table 18 - Soy – Table 19 - Wood Pulp and Paper
Water management	Reference: Biodiversity and Nature in the 2025 Costco Sustainability Report – Table 23 - Estimated Global Water Usage – Table 23 - Operational Water Data
Fuel transition	Reference: Energy and Refrigeration in the 2025 Costco Sustainability Report – Table 8 - Fuel Transition Plan
Energy availability	Reference: Energy and Refrigeration in the 2025 Costco Sustainability Report – Tables 9-11 - Energy & Electricity Metrics
Greenhouse Gas Emissions - Progress Against Targets	Reference: Energy and Refrigeration in the 2025 Costco Sustainability Report – Tables 4-5 - Greenhouse Gas Emissions - Progress Against Targets

[1] Clean energy as defined by the U.S. Department of Energy includes solar, wind, hydroelectric, geothermal, nuclear and bioenergy. Costco defines clean electricity as energy delivered over an electrical power grid that originates from a clean energy source. Purchased electricity is all sources of electricity including electricity delivered through the grid and self-generation.

[2] Our Scope 1 and 2 emissions target is set against our total in base year CY20. Our Scope 3 base year is calculated on FY20 data.

[3] Costco aims to reduce our warehouse commercial refrigerant GWP by -30% as compared to our CY2020 baseline.

[4] Costco has updated our calculation methodology for Scope 3 categories 1, 4, and 11 and restated our emissions for years FY23 and FY20 (base year) to incorporate this methodology change.

[5] Our Scope 3 intensity target is set against our total in base year FY20, is adjusted for inflation, and excludes fuel.