

## **Costco Virtual Shareholders Meeting**

### **Q&A – January 21, 2021**

Below are the Company's responses to questions that we received during our Annual Meeting of Shareholders held on January 21, 2021, that were not addressed during the meeting.

Some questions covering the same topic were consolidated, and minor edits were made to other questions to correct typos or for clarity. Additionally, comments that weren't posed as questions, or questions that aren't relevant to the investment community were omitted.

Certain statements presented here constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For these purposes, forward-looking statements are statements that address activities, events, conditions or developments that the Company expects or anticipates may occur in the future. In some cases forward-looking statements can be identified because they contain words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "likely," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would," or similar expressions and the negatives of those terms. Such forward-looking statements involve risks and uncertainties that may cause actual events, results or performance to differ materially from those indicated by such statements. These risks and uncertainties include, but are not limited to, domestic and international economic conditions, including exchange rates, the effects of competition and regulation, uncertainties in the financial markets, consumer and small business spending patterns and debt levels, breaches of security or privacy of member or business information, conditions affecting the acquisition, development, ownership or use of real estate, capital spending, actions of vendors, rising costs associated with employees (generally including health-care costs), energy and certain commodities, geopolitical conditions (including tariffs), the ability to maintain effective internal control over financial reporting, COVID-19 related factors and challenges, including (among others) the duration of the pandemic, the unknown long-term economic impact, reduced shopping due to illness, travel restrictions or financial hardship, shifts in demand away from discretionary or higher-priced products, reduced workforces due to illness, quarantine, or government mandates, temporary store closures due to reduced workforces or government mandates, or supply-chain disruptions, capacity constraints of third-party logistics suppliers, and other risks identified from time to time in the Company's public statements and reports filed with the Securities and Exchange Commission.

Forward-looking statements speak only as of the date they are made, and the Company does not undertake to update these statements, except as required by law.

**Q - I am Davis Soderberg. The Chinese Communist Party is engaged in unconscionable treatment of its minority Uigher Muslim population. Through rape and forced labor camps, they are systemically trying to eradicate the Uigher people and their culture. In March 2020, a bill advanced in the U.S. Senate listed Costco as a company potentially profiting from these slave labor camps. The Senate's action followed a 2019 Associated Press report noting that Costco was selling clothing that was made by "ethnic minorities locked in an internment camp to sew clothes against their will." At the time, Costco's response was tepid. Has the company fully audited its supply chain, and what tangible evidence can you provide to shareholders that the company's products are all free of slave labor?**

A - Costco Wholesale is committed to protecting workers in its supply chains. In furtherance of this commitment, the Company confirms that it has acted appropriately relative to children's sleepers that were referenced in a 2019 Associated Press report. The sleepers that had been on sale at Costco around that time were sourced from factories outside the Xinjiang region and without connection to the entity that was named as the subject of a detention order by the Customs and Border Patrol in 2019. Those factories were the subject of favorable audits for labor practices and have not been accused of wrongdoing. Costco's supplier also sourced sleepers from a factory in Xinjiang, but Costco did not receive any of those sleepers. See the [Supplier Code of Conduct](#) section on our website for additional discussion of our policies and procedures.

**Q - On December 3, 2020, the American Baptist Home Mission Society and fellow members of the Interfaith Center on Corporate Responsibility sent an investor letter to Costco to raise questions about how the company is addressing racial justice and food equity concerns linked to product development, marketing and distribution practices, and public policy advocacy. In what ways is Costco taking action to promote racial justice and equitable access to healthy food through its business activities?**

A - Costco Wholesale every year sells to its members, including those who pay with EBT, tens of billions of dollars worth of nutritious foods, with a growing organic food component. We believe that no other retailer offers a better combination of value and quality for these and the other items that we sell. Our promotional practices are very strictly limited by our low margins and are in no way manipulative or unfair, to Black, indigenous or Latinx populations or otherwise. Our privacy policy is prominently disclosed. <https://www.costco.com/privacy-policy.html>. Our public policy engagement is extremely limited and does not seek outcomes that would harm at-risk populations. As investors in our Company, presumably you are well aware of Costco's values, objectives and operations. Should you identify any of our particular practices that, contrary to our intentions, exacerbate adverse impacts for disadvantaged populations, we would greatly appreciate your bringing them to our attention.

**Q - Are captions available for deaf and hard of hearing?**

A - No, captions were not available during the live event. The slide deck is ADA accessible and will be available for one year on Costco's Investor Relations site under "[Webcasts and Presentations](#)". We will explore options for similar live events in the future.

**Q - What types of merchandise have been difficult to restock in 2020 (when sold out)? Do you expect this to continue in 2021?**

A - 2020 was a challenging year for many aspects of the supply chain. Merchandise most impacted from increased demand has been cleaning supplies, paper goods and PPE, such as nitrile gloves. Our suppliers have worked tirelessly to modify their production, focused on keeping employees safe while increasing volume. There are no specific areas that we can foresee at this time having any significant supply shortages for 2021.

**Q - Do you use or will you increase the use of robotics at Costco?**

A - We continue to adapt as our business and technology advances. This has and will continue to include incorporating increased automation where economical.

**Q - Are you changing or altering your supply system or logistics going forward due to this pandemic and will it be evaluated on a monthly basis?**

A - Our supply chain and logistics are monitored and challenged consistently as a normal course of business. With the global impact of this pandemic, we have become more creative in finding new suppliers and ensuring efficient logistics globally. These practices will continue.

**Q - Are there any plans to allow credit cards other than Visa for in-store purchases?**

A - No. By accepting only Visa® credit cards in our warehouses, we were able to negotiate better credit terms, which allows us to maintain lower operating costs and thus lower prices to our members.

**Q - Given the rise in the price of the stock, is there a possibility of a stock split or further shareholder bonuses?**

A - Not at this time. Stock splits, special dividends, and stock repurchases are and will continue to be evaluated and discussed by our Board of Directors and senior management.

**Q - What is a Business Center?**

A - Open to all Costco members, but designed with businesses in mind, [Costco Business Centers](#) offer the quality and value that Costco is known for in a variety of unexpected sizes and choices best suited for small businesses. More than 70% of items are different than those found at a typical Costco. Business Centers can be shopped in person, or an order can be placed online in order to have items delivered directly to a business.

**Q - How do you determine when to pay special dividends?**

A - Payment of special dividends is determined by the Board of Directors, at the recommendation of management. Both quantitative and qualitative factors are considered in deciding to pay a special dividend, as well as the size.

**Q - Do you have any plans to voluntarily close off the non-essential sections of stores during the pandemic, as there has been a lot of backlash against big box stores on this issue given that small retailers have been forced to close their businesses?**

We will continue to obey local laws and regulations regarding the closure of our stores and other limitations. We believe that we can offer safe shopping experiences to our members without limiting their access to portions of the warehouse that are lawfully open..

**Q - What are the big challenges you see in the coming year and the long term?**

A - For the coming year we anticipate ongoing impacts from the pandemic. We will maintain our focus on the continued health and safety of our members and employees. The pandemic was quite disruptive this past year, and we anticipate more volatility in consumer demand and supply chain continuity in the short term. We were largely able to meet the needs of our members this past year and feel up for the task in the coming months. Regarding the long term, we will seek to adapt as necessary, as we have done over more than three decades.

**Q - What percentage sales increase do you see in e-commerce each year?**

A - For fiscal year 2020, our ecommerce business saw a 50% increase in sales. For prior year increases, please refer to our historical company releases at <https://investor.costco.com/news-releases>, or our Annual Reports at <https://investor.costco.com/financial-information/annual-reports>

**Q - Individual membership allows for only 2 cardholders in a household. I have 2 kids in college in other cities. Any thoughts about increasing the number of cardholders in a single household?**

A - We have no plans to increase the numbers of cardholders allowed under an individual membership.

**Q - What is the Costco "Treasure Hunt"?**

A - The phrase "treasure hunt" has been used at Costco for many years. This is best described as when our members visit our warehouses or Costco.com for a specific purpose of goods, and ends up purchasing exciting items that they never intended to purchase. These items or "treasures" make up the treasure hunt.

**Q - Several questions were posed related to the closing of our Photo Labs.**

A - When this question was addressed during the meeting, it was mentioned that after we close the warehouse photo processing labs, members would still be able to order online and pick up their products at the warehouse. That was incorrect. Members will be able to order online and have products shipped to their homes or offices. Ink refill, Photo Restoration, Video Transfer, and Passport Photos will longer be offered after February 14th, 2021.

**Q - Will you return to holding your annual meeting in person once it again becomes safe to do so?**

A - A decision on the format of future Annual Meetings of Shareholders has not been made yet.

**Q - Several questions were posed regarding Costco continuing to sell the My Pillow brand given their CEOs political views.**

A - We have contractual commitments to MyPillow that we intend to honor, as we seek to do with all of our contracts.

**Q - Will this slide show be made available to shareholders?**

A - The slide deck will be available for one year on Costco's Investor Relations site under "[Webcasts and Presentations](#)."

**Q - What growth rate do you see for sales of the Kirkland Signature brand on a yearly basis?**

A - For fiscal year 2020, our Kirkland Signature brand had sales exceeding \$52B, growth of 7% versus the prior year.

**Q - I see very little packaging reductions. Why do many items at Costco have more plastic packaging than other stores?**

A - Costco continues to decrease the amount of plastic and packaging used for our products. Our Sustainability Commitment was recently updated and provides specific examples of those reductions, totalling over 8.6 million pounds in the last 2 years and can be reviewed here: <https://www.costco.com/sustainability-packaging.html>. In addition, more information about our packaging can be found on our [Packaging FAQ Sheet](#).

**Q - What impact do you expect the pandemic to have on the profitability of the company?**

A - We don't guide on future financial data. You can review our prior earnings and sales results at <https://investor.costco.com/news-releases>

**Q - What is the average amount spent during each shopping trip by members in your US Costco stores?**

A - We don't disclose this data.

**Q - Does the climate action plan include installation of solar panels on all of those flat warehouse roofs? That would save money and reduce Costco's carbon footprint.**

A - Our Climate Action Plan includes our goal to reduce our carbon emissions and energy use. As of the close of fiscal year 2020, we have installed solar panels at 116 locations worldwide. You can read more about our energy savings practices at <https://www.costco.com/sustainability-energy-refrigeration.html>

**Q - Could Costco ever be in India?**

A - India is not in our current plans. We have a lot on our plate right now with planned expansion.

**Q - How is the margin of same-day delivery with Instacart? Will Costco Logistics do similar delivery to Instacart?**

A - Costco's margin on Instacart sales is exactly the same as other in-store shops. Currently there is no plan for Costco Logistics to expand into same day delivery similar to Instacart. Costco Logistics provides delivery of big and bulky items, such as big-screen TVs, appliances, furniture, and mattresses.

**Q - As a veteran of many Costco shareholder meetings, these questions seem planted and not from genuine shareholders.**

A - No questions were planted. Some questions were rephrased for clarity or to group several similar questions.

**Q - As a primarily retail business what are your plans to increase the number of women among your senior leadership?**

A - Costco values the diversity of our employees and the experience, skills and abilities they bring to both current and future leadership positions. We have long-tenured leadership in senior roles, and we recognize there are opportunities to further diversify senior leadership. We have programs in place to build interest and skills within the supervisor and manager levels at Costco, and we will continue to support the career growth of women into senior leadership throughout our management ranks.

**Q - Many warehouses open early for those over 65, and as a result, some products are sold out prior to the general public being able to shop. Is there any plan to hold some inventory back for later in the day?**

A - At this time, there is no plan to hold products off of the sales floor.

**Q - How is Costco Travel doing during COVID?**

A - Our travel sales are down during the pandemic, but we are confident that when members are ready to travel we will be there with better values and more offers than ever before.

**Q - Is there a plan to introduce 3rd party sellers on Costco.com like Wal-Mart and Amazon?**

A - Not at this time.

**Q - When will Costco Pay be accepted in the warehouse?**

A - We do not intend to expand the Costco Pay feature available at limited Costco gas stations to in-warehouse purchases. However, Costco does accept several contactless payment options, including tap-to-pay Visa® cards and digital wallets.

**Q - Is there a plan for express lanes? If no, why not?**

A - While there are no current plans for express lanes, we continue to increase the number of warehouses that offer self-checkout. Currently nearly two-thirds of our U.S. and Canadian warehouses offer self-checkout, with plans to expand that to over 90% this year.

**Q - Do you expect the general Covid-related consumer slowdown to continue thru-out most of 2021 or into 2022?**

A - We do not have any insight what the future will bring or when the impacts from COVID will cease to impact the geographic markets in which we operate. We will continue to do our best to serve our members, employees, vendors, and shareholders.

**Q - It's wonderful to see items sourced in one country and being sold in that country, then also being sold in other Costco's in other countries. Do you see this international intra-store trend growing?**

A - As a global retailer, we have found success in sourcing goods from around the world. We will continue to use our global buying teams to source the highest quality goods in each region where we do business. These goods will be offered globally.

**Q - Where can I find a list of current shareholders?**

A - The list of shareholders of record was available during the meeting to shareholders who signed in using the control number from their proxy notice.