STATE BOARD OF ADMINISTRATION OF FLORIDA

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Via Email & Certified Mail

January 14, 2026

ATTN: John C. Sullivan
Executive Vice President, General Counsel & Corporate Secretary
Costco Wholesale Corporation
999 Lake Drive
Issaquah, WA 98027

Re: Critical review of Costco's climate disclosures, risk management, and incentive alignment

Dear Mr. Sullivan, Chair Hamilton E. James, and Members of the Board:

The State Board of Administration of Florida (SBA) is a fiduciary for Florida's public employees, responsible for prudently managing more than $280 billion in assets. As part of our stewardship and proxy voting activities, we assess whether portfolio companies' disclosures and incentive structures are aligned with long-term shareowner value creation based on pecuniary factors. Although we are voting against ballot item #4 on the January 15, 2026, proxy card involving a shareowner proposal asking the company to report on financial risks and costs associated with its climate commitments, we wanted to share our assessment of Costco's FY25 climate reporting and related proxy disclosures. We respectfully request specific enhancements to future company disclosures to support capital discipline, cost efficiency, and risk management.

We firmly believe the commitment of capital by Costco to meet environmental goals should be directly tied to quantifiable financial metrics that demonstrate a pecuniary benefit to shareowners from such expenditures. Costco's disclosures frequently reference "improved efficiency" and "reduced cost" resulting from these environmental initiatives, but the disclosures are lacking in specifics and do not forecast tangible benefit to the company and shareowners from the continued commitment by Costco in this endeavor.

Some of our observations from the company's public disclosures are summarized below. This is not to be interpreted as the SBA taking a position in support of any of these stated climate objectives:

- Governance: Climate risk oversight spans multiple board committees; the SVP of Global Sustainability & Compliance reports to the CEO and updates the Board.
- Targets: Aim for 100% clean electricity by 2035 and a 39% reduction in Scope 1 & 2 emissions by 2030 (2020 baseline). Other goals include a 30% refrigerant GWP cut and ~20% Scope 3 intensity (excluding fuel) by 2030.
- Scenario Analysis: SSP/NGFS scenarios are outlined, but quantitative financial impacts are pending methodology.
- Risk & Strategy: Management focuses on energy price volatility and EV transition effects, responding with onsite solar, battery storage, microgrids, and expanded EV charging.
- Metrics & Assurance: Scopes 1–3 are reported per GHG Protocol, with limited assurance through FY24.
- Compensation: CEO STI ties to Environmental & Social objectives (~16.7%); FY25 ESG goals achieved.
- Proxy research notes incomplete STI disclosure and concerns over one-off/sign-on awards.
- Decision-Usefulness Gap: Lack of quantified ranges for earnings sensitivity, capex needs, and cost-of-capital under scenarios hampers investor planning.
- Target Credibility: Pathway to scope reductions needs detailed procurement, contract terms, counterparty risk, and LCOE disclosure. Refrigerant target requires retrofit timeline, leakage data, and AIM Act alignment.
- Scope 3 Methodology: Excluding fuel while expanding EVs creates reporting asymmetry—investors need integrated economics on gasoline margin effects, capex, and grid reliability.
- Compensation Transparency: Binary ESG scoring in AIP instead of clear threshold/target/max curves for KPIs with published formulas and payouts.

Requested Board actions and disclosures (before the FY26 proxy):

1. **Publish a climate–finance addendum: scenario-based ranges for revenue, gross margin, opex, capex, FCF, and cost of capital under the SSP/NGFS scenarios cited in Costco's report.**
2. **Disclose a marginal abatement cost curve (MACC) for major Scope 1/2 initiatives and the share of projects with positive NPV under conservative energy-price assumptions.**

3. **Integrate fuel and EV-charging economics: utilization, pricing, uptime, expected gasoline cannibalization, site-selection hurdle rates, and local grid constraints.**
4. **Revise executive incentives: pre-disclose full KPI curves (threshold/target/max) for climate-related metrics demonstrably linked to cost reduction or ROIC uplift; publish ex-ante formulas and ex-post payout tables.**
5. **Clarify governance: designate a lead committee for climate-financial oversight, charter responsibilities for capital discipline and disclosure quality, and require periodic, CFO-led reporting on climate-related financial controls.**

When public companies make climate commitments and commit investor capital to them, we expect those decisions to be made with long-term shareowner return as the primary factor in consideration. Aspirational goals of environmental stewardship which are not tied to tangible, quantifiable improvement to financial performance of the company are inconsistent with the fiduciary duties of the Board and management.

These requests are strictly pecuniary and intended to improve decision-useful information for risk, return, and capital stewardship. We support any plans to review Costco's efforts to deliver the disclosures outlined above and to align executive incentives with financially material outcomes. We respectfully request a copy of this letter be delivered to all board members and named executive officers. We appreciate your attention and look forward to any response.

Sincerely,

Chris Spencer
Executive Director

References

- Costco FY25 Climate Risk Statement (Nov. 2025).
- Costco 2026 DEF 14A (Dec. 4, 2025).