

# SECTION 172 STATEMENT

Costco UK Holdings Limited and its subsidiaries (the 'Group') are ultimately owned by Costco Wholesale Corporation, ('Costco Wholesale') a Company incorporated in the United States of America, and generally abides by Costco Wholesale's policies and procedures.

The directors' of the Group must act in accordance with their duties under section 172 of the UK Companies Act 2006, including a duty to promote the success of the Company for the benefit of its shareholders as a whole.

Our governance framework is based upon Costco Wholesale's Code of Ethics, which underlies our culture, value and how we conduct with all our stakeholders - our members, employees, suppliers and shareholders. The directors of the Company use these guiding principles in their day to day decision making and in implementing our corporate strategy. The following table describes the five elements of our Code of Ethics and how the directors have fulfilled their duties during the period.

Stakeholder	Relevant code of ethics	Their interests	How we engage
All	Obey the law	Various	<p>We must conduct our business in compliance with the laws of every community in which we do business. Our internal policies and procedures incorporate such laws in our day to day operations. Regular monitoring and compliance audits are conducted to support such policies and procedures and prompt action is taken by directors over known deficiencies.</p> <p>All employees, directors and officers are expected to promptly report both actual and suspected violations of the law or our Code of Ethics via our Open Door Policy and Ethicspoint, our confidential reporting tool which can also be used by our suppliers, members, and others.</p>

Members	Take care of our members	Range and product availability  Competitive prices  Timeliness  Ease of website and online shopping experience  Customer service	Our members pay a membership fee to shop at Costco. We strive to provide top quality merchandise and service at low prices. We welcome our members as guests in our business by providing a safe and pleasant shopping environment. We regularly engage with our members via various channels, such as, marketing literature, our website, the Costco Connection magazine, and through member feedback in our warehouses.
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#### Principal risks and uncertainties

Employees	Take care of our employees	Fair remuneration and benefits  Training, development and career progression  Health and safety and working conditions  Diversity and inclusion  Human rights	<p>Our employees are our most important asset. We believe we have the best employees in the industry, and we are committed to providing them with competitive pay and benefits, offering rewarding careers and providing opportunities for personal career growth. Our employee agreement represents a strong commitment to fairness, consistency and open lines of communication with all employees. Directors, supported by the human resources department, regularly meet to discuss and monitor adherence to all aspects of the employee agreement.</p> <p>Further detail about employee engagement is included under the Employee engagement and consultation section of this report.</p>
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Suppliers	Respect our suppliers	<p>Success of the business</p> <p>Supply chain and logistics</p> <p>Anti-bribery and corruption</p> <p>Human rights and modern slavery</p> <p>Long term partnerships</p> <p>Responsible sourcing requirements</p> <p>Audits</p> <p>Terms and conditions</p> <p>Payment terms</p>	<p>Our suppliers are partners in business and for us to prosper they need to prosper with us. We have procedures in place to ensure we honour our commitments to suppliers and conduct our business in an honest and ethical manner, including paying them on time and resolving supply chain issues at an appropriate level of management.</p>
Shareholders	Reward our shareholders	<p>Comprehensive view of financial and sustainable performance of the business</p> <p>Return on investment</p>	<p>Our ultimate parent Company, Costco Wholesale Corporation, is a NASDAQ listed Company. We believe that if we follow the principles of our Code of Ethics throughout the organisation, then Costco will reward its shareholders.</p>

## **Information on decision making**

The board delegates operational decision making to the Buying, Finance, IT, Operations, HR & Legal, Property and Development leadership teams. Significant decisions made during the period related to the Group's response to the post pandemic shopping behaviour of our members, inflationary pressures, logistics and supply chain issues including those related to Brexit, staffing challenges, and supporting Costco locations in Iceland, Sweden and elsewhere in Europe through shared buying activities and distribution of merchandise to them. These are discussed elsewhere within the Strategic Report.

## **Employee engagement and consultation**

The board is committed to effective engagement with its employees. Our Employee Agreement represents a strong commitment to fairness, consistency and open lines of communications with all employees through the open door policy, where any employee is free to see any member of the management team to discuss their concerns, and otherwise. Throughout the Company, line managers engage with their employees through an annual appraisal process and informal one-to-one meetings where they are encouraged to provide transparent feedback. Training sessions are held by Human Resources team to enhance and improve skills necessary for managing a diverse workforce.

The Company values the involvement of its employees and continues to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, the intranet and the employee magazine. We believe our high employee satisfaction is shown by our employee turnover ratio of 5.30% (2023: 6.25%) for full time staff for the current period.

## **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should be identical to that of other employees.

## **Sustainability, energy and carbon emission**

Costco UK Holdings Limited and its affiliates (see note 13) for purposes of the UK's Streamlined Energy and Carbon Reporting (SECR) will be collectively referred to as "Costco UK" and will be collectively reporting as a large unquoted Company under SECR reporting obligations.

Costco UK's Environmental reporting methodologies are in accordance with those of its parent, Costco Wholesale Corporation (Costco Wholesale).

<https://www.costco.com/sustainability-climate-action-plan>

Costco Wholesale currently reports its greenhouse gas (GHG) emissions in a consolidated format for all global operations through the CDP (formerly known as the Carbon Disclosure Project) and in its Global Sustainability Commitment as part of its Global Climate Action Plan.

**Reporting Year and Methodology**

Costco UK’s accounting period ends 1 September 2024 (FY24). All reporting is the consolidated energy use and GHG emissions for the collective UK companies or Costco UK.

As of FY 21, Costco UK and Costco Wholesale report their financial performance and global emissions on a fiscal period basis, as required by the CDP and in keeping with voluntary standards based upon the Intergovernmental Panel for Climate Change (IPCC) guidelines and within the guidance of GHG Protocol Corporate Accounting Standard. Factors applied to the SECR obligation for Costco UK are the UK Government GHG Conversion Factors for Company Reporting, applied as follows: for Costco UK’s fiscal period 2024, DEFRA 2023 factors were used for September to December 2023 data and DEFRA 2024 factors were used for January to August 2024 data. The inventory boundary is defined using the operational control approach. Scope 2 inventory is presented using the market-based method.

Prior to FY21, Costco UK reported emissions and all other relevant metrics on a calendar-year basis.

**Costco UK Energy Use**

Total Costco UK Energy Use and GHG Emissions Scope 1 and 2 for FY24, FY23, and FY22, figures are summarised as follows:

	FY 2024	FY 2023	FY 2022
Scope 1 & 2 Total tCO2e  Emissions	36,979	36,323	34,364
Sales ('000s)	5,313,000	5,011,000	4,193,000
Intensity (tCO2e/£M Sales)	6.96	7.25	8.20
Stationary Combustion (kWh)	57,105,045	59,660,678	56,885,540

Mobile Sources (Gal)	91,773	75,160	63,035
Fugitive Emissions (lbs)	136,258	97,133	87,022
Scope 2 Purchased Electricity (kWh)	84,489,648	83,567,569	83,031,112

Details are provided below:

Scope 1 Direct emissions are reported by source type: stationary combustion, fugitive emissions, and mobile sources.

Stationary combustion in FY24 was 57,105,045 kWh equal to 10,431 in tCO<sub>2</sub>e and in FY23 was 59,660,678 kWh equal to 10,887 in tCO<sub>2</sub>e. This includes the combustion of natural gas for building heating and permanent backup generators for emergencies.

Mobile sources in FY24 were 3,680,488 kWh equal to 876 tCO<sub>2</sub>e and in FY23 were 2,958,689 kWh equal to 713 tCO<sub>2</sub>e. This includes diesel for Costco-operated vehicles, non over-the-road fuel, aviation fuel, employee vehicle business travel, and propane.

Fugitive emissions in FY24 were 136,258 pounds equal to 8,178 tCO<sub>2</sub>e and in FY23 were 97,133 pounds equal to 7,805 tCO<sub>2</sub>e. This includes gaseous refrigerant fuel emissions and beverage CO<sub>2</sub>.

Scope 2 Indirect emissions in FY24 from purchased electricity were 84,489,648 kWh, equal to zero tCO<sub>2</sub>e under the market-based calculation methodology. In FY23, scope 2 indirect emissions from purchased electricity were 83,567,678 kWh equal to zero tCO<sub>2</sub>e under the market-based calculation methodology.

### Energy Intensity Measurement

Costco UK is using the following intensity measurement for FY24: Tonnes of CO<sub>2</sub>e per total £ million of sales revenue.

FY24 tCO<sub>2</sub>e = 19,485 (market-based emissions of Costco UK)

FY24 tCO<sub>2</sub>e = 36,979 (location-based emissions of Costco UK)

FY24 Sales revenue = £5,313 million (revenue of Costco UK)

Tonnes of CO<sub>2</sub>e (market) per million of sales revenue = 3.67

Tonnes of CO<sub>2</sub>e (location) per million of sales revenue = 6.96

## **Energy Action Taken**

### **Energy Supply**

*Our priority is to purchase clean energy and when feasible integrate on-site energy generation systems. Since 2020, we have been using a portfolio-wide approach to procure and use clean energy in our operations. As a result, 100% of the electricity we use comes from clean sources.*

### **New Lighting Fixtures and Control Systems**

*We have retrofitted six locations with lighting control systems which enable fixtures controlled by zone. This improves our electricity consumption by limiting lighting usage to need. Additionally, lighting at these locations have been fitted with high efficiency LED light fixtures.*

### **New HVAC Systems**

*In addition we have also upgraded our HVAC systems at 7 locations to improve the overall efficiency and reliability of our facilities. This will improve our facilities based on ageing equipment with parts becoming obsolete and less efficient.*

### **Energy Savings Opportunity Scheme (ESOS) Phase 3 Assessments**

*The ongoing requirements of the ESOS programme are being carried out. A selection of locations have been audited and reports are being prepared for internal review and corrective actions implemented where applicable.*

### **Environmental Sustainability and Compliance Manager (ESCM)**

*The ESCM evaluates all Costco locations at least annually on environmental compliance and sustainability health. The evaluations identify energy saving opportunities at each location as well as other operational efficiencies and cost savings.*

## **TCFD**

Costco UK Holdings Limited and its subsidiaries follow Costco Wholesale Corporation's approach to governance and reporting, which is aligned with the Task Force on Climate-Related Financial Disclosures (TCFD). The four core elements are Governance, Strategy, Risk Management, and Metrics and Targets. We have identified climate-related risks and opportunities that are impactful to Costco, yet have determined that none represents a material risk to our business in the short-term.

## **Governance**

### **Oversight of climate-related risks and opportunities**

Our governance structures focus on two streams: Strategy & Oversight and Implementation, Reporting & Compliance. Our Board of Directors has oversight to ensure Executive management has processes for managing risks and setting strategy for climate-related impacts. In 2022, Costco's Board made sustainability a part of the Nominating and Governance Committee's charter, including oversight of environmental and sustainability policies and initiatives. We describe below governance of climate-related risks and opportunities. We also aligned our 2024 executive compensation with ESG priorities through our Executive Bonus Plan. It rests, in part, on (1) quantitative (60%) metrics including diversity, equity and inclusion (DEI), resource consumption (water and energy), environmental compliance, waste reduction, climate (emissions), packaging, forest conservation and fisheries and (2) qualitative (40%) metrics to encourage awareness and action on new initiatives. Progress in 2024 resulted in that portion of the bonus being paid in full.

Governance Structure





### ***Management's role in assessing and managing climate-related risks and opportunities***

Costco's sustainability strategy and Climate Action Plan continue to be led by our Senior Vice President of Global Sustainability and Compliance, who reports to the CEO and regularly engages with the Board and its Nominating & Governance Committee and Compensation Committee. She also serves as Chair of the ESG Executive Advisory Council, which brings together executives from across the Company to set goals and discuss strategy. This cross-functional approach is also exhibited in the Global Energy Task Force (discussed in our Climate Action Plan), the Merchandising Task Force for Supplier Engagement, and ESG Reporting. We recognize the multidimensional nature of ESG priorities and the need to engage leadership across departments and geographies.

## **Statement of Corporate Governance Arrangements**

The companies (Miscellaneous Reporting) Regulations 2018 require certain large companies to include a statement as to which corporate governance code has been applied and how during the financial year. For the year ended 1 September 2024 Costco Wholesale UK Ltd (the "Company") qualifies for this disclosure and has adopted the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council (FRC) in December 2018 and available on the FRC website), which incorporates 6 key principles: Purpose & Leadership, Board Composition, Director Responsibilities, Opportunity & Risk, Remuneration and Stakeholder Relationships & Engagement. Within this financial statement Section 172 statement and TCFD provide details as to how the Company fulfils these requirements for Corporate Governance.

Costco Wholesale Ltd is a subsidiary of Costco Wholesale Corporation, Costco group's governance arrangements are managed by Costco Wholesale Corporation senior management. Local management and governance is delegated to the Country manager. The Country manager meets Costco Wholesale Corp's executives on a monthly basis to discuss and present UK operations. More information to Costco Wholesale Corporation group's corporate governance can be found on <https://investor.costco.com/governance>