

CORPORATE GOVERNANCE GUIDELINES  
COSTCO WHOLESALE CORPORATION

These guidelines have been adopted by the Board of Directors of Costco Wholesale Corporation (the "Company").

**THE BOARD**

**1. Role of Directors**

The business and affairs of the Company shall be managed under the direction of the Board. A director is expected to spend the time and effort necessary to properly discharge such director's responsibilities. Accordingly, a director is expected to regularly attend meetings of the Board and committees on which such director sits, and to review prior to meetings material distributed in advance. A director who is unable to attend a meeting (which will unavoidably occur on occasion) is expected to notify the Chairman of the Board or the Chairman of the appropriate committee in advance of such meeting.

**2. Selection of the Chairman of the Board; Lead Independent Director**

The Board shall be free to choose its Chairman in any way that it deems best for the Company at any given point in time. See Section 4.3 of the Bylaws (providing that the Board of Directors shall elect, among other officers, the Chairman of the Board); *id.* Section 4.3(a) (action by a majority of the entire Board shall be required to appoint or remove the Chairman). As provided in the Company's bylaws (Section 4.6), the Board has discretion to remove its Chairman at any time. The Board believes that it is in the best interests of the Company and its shareholders for the Board to determine which director is best qualified to serve as Chairman, including whether the offices of Chairman and Chief Executive

Officer should be held by the same person and whether the Chairman should be independent.

A Lead Independent Director shall be designated annually by a majority of the Independent Directors at the Board meeting at which the election of officers occurs.

The Lead Independent Director shall: (1) preside at all meetings of the Independent Directors and any Board meeting when the Chairman is not present, including executive sessions of the Independent Directors; (2) provide feedback from executive sessions of the Independent Directors to the Chairman and the Chief Executive officer (CEO); (3) call meetings of the Independent Directors at such time and place as the Lead Independent Director determines necessary and appropriate and set the agenda for such meetings; (4) following consultation with the Chairman and the CEO, approve the Board's meeting agendas, schedules and information flow to the directors to assure they provide sufficient focus, time and background for discussion of all agenda items; (5) serve as the primary liaison between the Independent Directors and the Chairman and the CEO; (6) be available for consultation and direct communication with major shareholders where appropriate, upon reasonable request; and (7) perform such other functions as the Board may direct.

### **3. Selection of New Directors**

The Board shall be responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of stockholders. The Nominating and Governance Committee is responsible for identifying, screening and recommending candidates to the Board for Board membership. When formulating its Board membership recommendations, the Nominating and Governance Committee shall also consider advice and recommendations from others as it deems appropriate. The Company is committed to a policy of inclusiveness. In performing its responsibilities for identifying,

screening and recommending candidates to the Board, the Committee should: ensure that candidates with a diversity of ethnicity and gender are included in each pool of candidates from which Board nominees are chosen; and seek diverse candidates by including in the candidate pool (among others) individuals from non-executive corporate positions and non-traditional environments.

#### **4. Board Membership Criteria**

Nominees for director shall be selected on the basis of, among other things, knowledge, experience, skills, expertise, integrity, diversity, ability to make independent analytical inquiries, and understanding of the Company's business environment, all in the context of an assessment of the perceived needs of the Board at the time. Nominees should also be willing to devote adequate time and effort to Board responsibilities. The Nominating and Governance Committee shall be responsible for determining the appropriate balance of criteria required of Board members and will review periodically the composition of the Board to ensure that it reflects the knowledge, experience, skills, and diversity required for the Board to fulfill its duties.

#### **5. Other Public Company Directorships**

The Company does not have a policy limiting the number of other public company boards of directors upon which a director may sit. The Nominating and Governance Committee, however, in making its recommendations shall consider the number of other public company boards and other boards (or comparable governing bodies) on which a prospective nominee is a member.

#### **6. Independence of the Board**

The Board shall be comprised of no less than a majority of directors who, in the opinion of the Board, qualify as independent directors ("Independent Directors") under the listing standards of the National Association of Securities Dealers' NASDAQ Stock Market ("NASDAQ"). The Board believes it is useful and appropriate to have

members of management, in addition to the Chief Executive Officer, as directors. Directors who experience any change in circumstances that could impact on the evaluation of their independence shall promptly disclose that change to the Board.

#### **7. Directors Who Change Job Responsibility**

Directors who retire or change the employed position they held when they became a member of the Board should not necessarily be required to leave the Board. Promptly following such event, the director must notify the Nominating and Governance Committee, which shall review the continued appropriateness of the affected director remaining on the Board under the circumstances. The affected director is expected to act in accordance with the Nominating and Governance Committee's recommendation following such review.

#### **8. Retirement Age - Director Tenure**

The Board does not believe that a fixed retirement age for directors is appropriate or that it should establish term limits. In connection with evaluating recommendations for nomination for re-election, however, the Nominating and Governance Committee shall consider the issue of continuing director tenure and take steps as may be appropriate to ensure that the Board maintains an openness to new ideas and an appropriate skill set.

#### **9. Board Compensation**

A director who is also an officer or employee of the Company shall not receive additional compensation for such service as a director.

Compensation for non-employee directors should be competitive and should encourage increased ownership of the Company's stock through the payment of all or a portion of director compensation in Company stock, options to purchase Company stock or similar compensation.

By April 2014 or within five years of joining the Board (whichever is later), a non-executive board member shall own and retain at least 6,000 shares of Company common stock. The Nominating and Governance Committee may authorize an extension should it appear that in the case of a particular candidate or board member the timing would present an undue burden.

#### **10. Board Access to Management and Outside Advisors**

Board members shall have access to the Company's management and, as appropriate, to the Company's outside advisors or other advisors as the Independent Directors deem necessary.

#### **11. Communications with the Board of Directors**

Shareholders may contact an individual director, the Lead Independent Director, the Board as a group, or a specified Board committee or group, including the non-employee directors as a group, at the following address: Corporate Secretary, Costco Wholesale Corporation, 999 Lake Drive, Issaquah, WA 98027 Attn: Board of Directors. The Company will receive and process communications before forwarding them to the addressee. Directors generally will not be forwarded shareholder communications that are primarily commercial in nature, relate to improper or irrelevant topics, or request general information about the Company. Generally, individual directors are not expected to communicate with shareholders or members of the public about Company business. The Company's management has primary responsibility for investor and shareholder relations, and will report as appropriate to the Board on shareholder comments and feedback that it receives. In conjunction with management's efforts, non-executive directors may, in appropriate circumstances, participate with management in initiatives to elicit shareholder views.

## **12. Attendance at Annual Meeting of Stockholders**

It is Company policy that directors are invited and encouraged to attend the Annual Meeting of Stockholders.

## **13. Director Orientation and Continuing Education**

The Company shall provide new directors with a mandatory orientation program to familiarize such directors with the Company's business and matters relevant to their service as a director. Directors are encouraged to participate in educational programs for the purpose of enhancing performance as a director. The Company shall facilitate this through payment for programs and for subscriptions and other materials as one or more directors may request.

## **14. Self-Evaluation by the Board**

The Nominating and Governance Committee will oversee a self-assessment of the Board's performance every year. The assessment shall seek to identify specific areas, if any, in need of improvement or strengthening, and the results will be discussed with the full Board. The Nominating and Governance Committee will utilize the results of this self-evaluation process in assessing and determining the characteristics and skills required of prospective candidates for election to the Board and in making recommendations to the Board with respect to nominations for reelection and assignments of Board members to various committees.

## **BOARD MEETINGS**

### **15. Frequency of Meetings**

At least one regularly scheduled meeting of the Board shall be held every fiscal quarter. Special meetings may be called as required by the needs of the Company. Directors are encouraged to make at least one visit annually to a Company facility.

## **16. Selection of Agenda Items for Board Meetings**

In preparation for meetings of the Board, the Chairman (in consultation with the Chief Executive Officer, if such positions are held separately and the Lead Independent Director, if the Lead Independent Director so chooses), with support from such other officers as the Chief Executive Officer shall designate, shall disseminate to directors on a timely basis briefing materials regarding matters to be included in the meeting agenda, as well as minutes from prior meetings and any written reports by committees. Each director shall be free to suggest inclusion of items on the agenda and to raise at any Board meeting subjects that are not specifically on the agenda for that meeting.

## **17. Attendance of Management Personnel at Board Meetings**

The Board encourages the Chief Executive Officer to bring members of management from time to time to Board meetings to: (i) provide management insight into items being discussed by the Board because of management involvement in these areas; (ii) make presentations to the Board; and (iii) bring managers with significant leadership potential into contact with the Board.

## **18. Board Materials Distributed in Advance**

Information and materials that are important to the Board's understanding of the agenda items and other topics to be considered at a Board meeting should, to the extent practicable, be distributed at least seven days in advance of the meeting. Sensitive subject matters may be discussed at the meeting without written materials being distributed in advance or at the meeting. Similarly, matters may be discussed at a meeting called on short notice in the event of a pressing need without written material being made available.

## **19. Separate Sessions of Independent Directors**

The Independent Directors of the Company shall meet in executive session at no less than two Board meetings each year. A Lead Independent Director, designated annually (at the Board meeting at which the election of officers occurs) by the Independent directors on the Board, shall preside at such executive sessions.

### **COMMITTEE MATTERS**

## **20. Number and Names of Board Committees**

The Company shall have three standing committees: Audit, Nominating and Governance, and Compensation. The purpose and responsibilities for each of these committees shall be outlined in committee charters adopted by the Board. Each committee shall have the authority to engage independent advisors at the Company's expense. The Board may from time to time create a new standing committee, alter the responsibilities of existing committees, or eliminate a committee. In addition the Board may, from time to time, create a special committee or committees, setting forth responsibilities, membership and other governing provisions.

## **21. Independence of Board Committees**

Each of the Audit Committee, the Nominating and Governance Committee and the Compensation Committee shall be composed entirely of Independent Directors satisfying legal, regulatory and stock exchange requirements applicable to the Company. All other standing Board committees formed by the Board shall be chaired by Independent Directors, except where the Board determines otherwise.

## **22. Assignment and Rotation of Committee Members**

The Nominating and Governance Committee shall annually review the Committee assignments and shall consider the rotation of the chair and members with a view toward

balancing the benefits derived from continuity against the benefits derived from the diversity of experience and viewpoints of the various directors. After consultation with the Chairman of the Board and the Chief Executive Officer, the Nominating and Governance Committee shall make recommendations to the Board regarding chairmanship and membership of the various committees. After reviewing the Nominating and Governance Committee's recommendations, the Board shall be responsible for appointing the members to the committees on an annual basis.

## **LEADERSHIP DEVELOPMENT**

### **23. Selection of the Chief Executive Officer**

The Board shall be responsible for identifying potential candidates for the position of and selecting the Company's Chief Executive Officer. The Board shall consider, among other things, a candidate's experience, understanding of the Company's business environment, leadership qualities, knowledge, skills, expertise, integrity, and reputation in the business community.

### **24. Evaluation of Executive Officer Compensation**

The Compensation Committee shall conduct an evaluation annually in connection with the determination of the compensation of all executive officers.

By April 2010 or within one year of becoming an executive officer, an executive officer shall own and retain at least 12,000 shares of Company common stock. The Nominating and Governance Committee may authorize an extension should it appear that in the case of a particular executive officer the timing would present an undue burden.

The Company will seek to recover, at the direction of the Compensation Committee after it has considered the costs and benefits of doing so, incentive compensation (including, without limitation, any bonus, incentive payment, or equity award) awarded or paid to an officer

for a fiscal period if the result of a performance measure upon which the award was based or paid is subsequently restated or otherwise adjusted in a manner that would reduce the size of the award or payment. Where the result of a performance measure was considered in determining the compensation awarded or paid, but the incentive compensation is not awarded or paid on a formulaic basis, the Compensation Committee will determine in its discretion the amount, if any, by which the payment or award should be reduced. In addition, if an officer engaged in intentional misconduct that contributed to award or payment of incentive compensation to him or her that is greater than would have been paid or awarded in the absence of the misconduct, the Company may take other remedial and recovery action, as determined by the Compensation Committee. The Committee shall have sole discretion in determining whether an officer's conduct has or has not met any particular standard of conduct under law or Company policy. In addition, any incentive compensation awarded or paid to an officer will be subject to any recoupment policies adopted by the Company pursuant to the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act or other law or the listing requirements of any national securities exchange on which the common stock of Costco Wholesale is listed.

## **25. Prohibition of Pledging and Hedging Transactions**

Board members and executive officers are prohibited from, directly or indirectly: (1) without the prior consent of the Trading Compliance Committee, pledging any of the Company's equity securities; and (2) without the consent of the Board of Directors, hedging with respect to any of the Company's equity securities. For these purposes: (a) "pledging" includes the intentional creation of any form of pledge, security interest, deposit, lien or other hypothecation, including the holding of shares in a margin account, that entitles a third-party to foreclose against, or otherwise sell, any equity securities, whether with or without notice, consent, default or otherwise, but does not include

either the involuntary imposition of liens, such as tax liens or liens arising from legal proceedings, or customary purchase and sale agreements, such as Rule 10b5-1 plans; and (b) "hedging" includes any instrument or transaction, including put options and forward-sale contracts, through which the board member or executive officer offsets or reduces exposure to the risk of price fluctuations in a corresponding equity security. Factors to be considered in evaluating a proposed pledge may include the size of the pledge relative to the individual's other holdings, both direct and indirect, Costco Wholesale shares outstanding, and trading volumes; the risk of foreclosure given the nature of the transaction, protections against the appearance of insider trading, including an inadvertent violation of the Company's black-out policy, and the ability to timely report sales on Form 4. "Equity securities" include common stock, voting preferred stock and options and other securities exercisable for, or convertible into, settled in, or measured by reference to, any other equity security determined on an as-exercised and as-converted basis. The equity securities attributable to a board member or executive officer for these purposes shall be those attributable under either Section 13 or Section 16 of the Securities Exchange Act of 1934. Equity securities that are pledged shall not be counted toward board member and officer ownership requirements.

## **26. Succession Planning; Management Development**

The Board shall review with the Chief Executive Officer on an annual basis succession planning and management development and shall approve a succession plan for the Chief Executive Officer.

The Board intends that these Guidelines serve as a flexible general framework and not as a set of binding legal obligations. These Guidelines are not intended to change or interpret any federal or state law or regulation or the charter or bylaws of the Company and are subject to modification from time to time by the Board without prior public notice. They shall be made

available on the Investor Relations page of the Company's web site. The Chair of the Nominating and Governance Committee shall review annually with the Legal Department the content of these Guidelines and compliance with them.

Revised October 2015