

COSTCO WHOLESALE CORP /NEW
Form PRE 14A
December 09, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. __)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as Permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Costco Wholesale Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the

(3) amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

999 Lake Drive
Issaquah, Washington 98027

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO OUR SHAREHOLDERS:

The Annual Meeting of the Shareholders of Costco Wholesale Corporation (the “Company”) will be held at the Meydenbauer Center, Center Hall, 11100 N.E. 6th Street, Bellevue, Washington 98004, on Thursday, January 29, 2015, at 4:00 p.m., for the following purposes:

1. To elect the five Class I directors nominated by the Board of Directors to hold office until the 2018 Annual Meeting of Shareholders and until their successors are elected and qualified;
2. To ratify the selection of KPMG LLP as the Company’s independent auditors for fiscal year 2015;
3. To approve, on an advisory basis, the compensation of the Company’s executive officers for fiscal year 2014 as disclosed in these materials;
4. To approve the Company's 2002 Stock Incentive Plan as amended and restated effective January 29, 2015;
5. To consider a Company proposal to amend the Company's Articles of Incorporation to change certain voting requirements;
6. To consider shareholder proposals as described in the accompanying Proxy Statement, if properly presented at the meeting; and
7. To transact such other business as may properly come before the meeting or any adjournments thereof.

Only shareholders of record at the close of business on November 20, 2014, are entitled to notice of, and to vote at, the meeting. All shareholders are requested to be present in person or by proxy. Any shareholder who later finds that he or she can be present at the meeting, or for any reason desires to do so, may revoke the proxy at any time before it is voted.

Important Notice Regarding the Availability of Proxy Materials for the 2015 Annual Meeting. We are mailing to many of our shareholders a notice of availability over the Internet of the proxy materials, rather than mailing a full paper set of the materials. The notice of availability contains instructions on how to access our proxy materials on the Internet, as well as instructions on obtaining a paper copy. All shareholders who do not receive such a notice of availability, including shareholders who have previously requested to receive a paper copy of the materials, will receive a full set of paper proxy materials by U.S. mail. This process will reduce our costs to print and distribute our proxy materials.

Voting by the Internet or telephone is fast and convenient, and your vote is immediately confirmed and tabulated. If you receive a paper copy of the proxy materials, you may also vote by completing, signing, dating and returning the accompanying proxy card in the enclosed return envelope furnished for that purpose. By using the Internet or telephone you help the Company reduce postage and proxy tabulation costs.

[Placeholder for possible changes in annual meeting admission requirements.]

Please do not return the enclosed paper ballot if you are voting over the Internet or by telephone.

VOTE BY INTERNET

<http://www.proxyvote.com>
24 hours a day/7 days a week

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time on January 28, 2015. Have your proxy card in hand when you access the website, and follow the instructions to obtain your records and to create an electronic voting instruction form.

Your cooperation is appreciated, because a majority of the common stock must be represented, either in person or by proxy, to constitute a quorum for the conduct of business.

VOTE BY TELEPHONE

(800) 690-6903 via touch tone
phone toll-free
24 hours a day/7 days a week

Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time on January 28, 2015. Have your proxy card in hand when you call and then follow the instructions.

By order of the Board of Directors,
John Sullivan
Secretary

December XX, 2014

Important Notice Regarding the Availability of Proxy Materials for the Meeting of Shareholders to be Held on January 29, 2015

The Proxy Statement and Annual Report to Shareholders are available at
<http://investor.costco.com>

PARKING FACILITY AND DRIVING DIRECTIONS

MEYDENBAUER CENTER
11100 NE 6th Street
Bellevue, Washington

DRIVING DIRECTIONS

- From Seattle via SR-520:
 - Take SR-520 east to I-405 south.
 - Take Exit 13A west to NE 4th Street westbound.
 - Turn right onto 112th Ave NE.
 - Turn left onto NE 6th Street to Meydenbauer Center's parking garage on the right.

- From Seattle via I-90:
 - Take I-90 east to I-405 north.
 - Take Exit 13A west to NE 4th Street westbound.
 - Turn right onto 112th Avenue NE.
 - Turn left onto NE 6th Street to Meydenbauer Center's parking garage on the right.

PARKING

Due to limited parking availability, we encourage you to explore Metro Transit's commuter services. The Bellevue Transit Center is conveniently located less than a block from Meydenbauer Center.

Meydenbauer Center's Parking Garage is located at 11100 NE 6th Street. It does not accommodate vehicles over 6'9" tall.

Bellevue Corporate Plaza Garage handles overflow parking for Meydenbauer Center. It is located at NE 6th Street on 110th Ave. NE. Proceed up the hill past Meydenbauer Center. Turn right at the light, and left into the parking structure.

Parking in these two facilities for this event will be paid by the Company. As you leave, tell the attendant you attended the Costco Wholesale Annual Meeting.

TABLE OF CONTENTS

Item	Page
<u>Solicitation and Revocation of Proxy</u>	<u>1</u>
<u>Proposal 1: Election of Directors</u>	<u>2</u>
<u>Committees of the Board</u>	<u>5</u>
<u>Compensation of Directors</u>	<u>8</u>
<u>Shareholder Communications to the Board</u>	<u>9</u>
<u>Principal Shareholders</u>	<u>9</u>
<u>Executive Compensation</u>	<u>10</u>
<u>Compensation Discussion and Analysis</u>	<u>10</u>
<u>Summary Compensation Table</u>	<u>16</u>
<u>Fiscal 2014 All Other Compensation</u>	<u>17</u>
<u>Fiscal 2014 Grants of Plan-Based Awards</u>	<u>17</u>
<u>Outstanding Equity Awards at Fiscal 2014 Year-End</u>	<u>18</u>
<u>Fiscal 2014 Option Exercises and Stock Vested</u>	<u>19</u>
<u>Fiscal 2014 Non-Qualified Deferred Compensation</u>	<u>19</u>
<u>Potential Payments Upon Termination or Change-in-Control</u>	<u>20</u>
<u>Certain Relationships and Transactions</u>	<u>21</u>
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	<u>21</u>
<u>Report of the Audit Committee</u>	<u>21</u>
<u>Independent Public Accountants</u>	<u>22</u>
<u>Proposal 2: Ratification of Selection of Independent Public Accountants</u>	<u>23</u>
<u>Proposal 3: Advisory Vote to Approve Executive Compensation</u>	<u>23</u>
<u>Proposal 4: Approval of the 2002 Stock Incentive Plan as Amended and Restated</u>	<u>24</u>
<u>Equity Compensation Plan Information</u>	<u>30</u>
<u>Proposal 5: Amend the Articles of Incorporation to Change Certain Voting Requirements</u>	<u>30</u>
<u>Proposal 6: Shareholder Proposal</u>	<u>33</u>
<u>Other Matters</u>	<u>35</u>
<u>Shareholder Proposals for 2016 Annual Meeting</u>	<u>35</u>
<u>Annual Report to Shareholders and Form 10-K</u>	<u>36</u>
<u>General Information</u>	<u>37</u>
<u>Appendix: Seventh Amended and Restated 2002 Stock Incentive Plan</u>	<u>38</u>

Table of Contents

PROXY STATEMENT
FOR ANNUAL MEETING OF SHAREHOLDERS TO BE HELD
January 29, 2015

SOLICITATION AND REVOCATION OF PROXY

Proxies in the form furnished are solicited by the Board of Directors of the Company to be voted at the Annual Meeting of Shareholders to be held on January 29, 2015, or any adjournments (the "Annual Meeting"). The individuals named as proxies are Jeffrey H. Brotman and W. Craig Jelinek. A Notice of Internet Availability of Proxy Materials was first sent to shareholders and the accompanying notice of meeting, this Proxy Statement and the form of proxy are first being made available to shareholders on or about December XX, 2014.

All shares represented by proxies received will be voted in accordance with instructions contained in the proxies. The Board of Directors unanimously recommends a vote:

1. FOR the nominees for director listed in these materials and on the proxy;
2. FOR the ratification of the selection of the Company's independent auditors;
3. FOR the approval, on an advisory basis, of the compensation of the Company's named executive officers as disclosed in these materials;
4. FOR approval of the Company's 2002 Stock Incentive Plan as amended and restated effective as of January 29, 2015;
5. FOR the Company proposal to amend the Company's Articles of Incorporation to change certain voting requirements; and
6. AGAINST the shareholder proposals.

In the absence of voting instructions to the contrary, shares represented by validly executed proxies will be voted in accordance with the foregoing recommendations. With respect to the proposal to amend the Articles of Incorporation, in the absence of voting instructions to the contrary, shares represented by validly executed proxies will be voted ABSTAIN. A shareholder giving a proxy has the power to revoke it any time before it is voted by providing written notice to the Secretary of the Company, by delivering a later-dated proxy, or by voting in person at the Annual Meeting.

Only shareholders of record at the close of business on November 20, 2014 (the "Record Date") will be entitled to vote at the Annual Meeting. At the close of business on the Record Date, there were 440,499,129 shares of common stock outstanding, which represent all of the voting securities of the Company. Each share of common stock is entitled to one vote. Shareholders do not have cumulative voting rights in the election of directors.

A majority of the common stock entitled to vote at the Annual Meeting, present either in person or by proxy, will constitute a quorum. Shareholders who abstain from voting on any or all proposals will be included in the number of shareholders present at the meeting for purposes of determining the presence of a quorum.

Table of Contents

Abstentions and broker non-votes will not be included in the total of votes cast and will not affect the outcome of proposals 1 through 4 and 6 and will have the same effect as a vote "against" on proposal 5.

With respect to proposal 1, the election of directors, the five directors receiving the highest number of votes will be elected. The Company's bylaws provide that in an uncontested election for directors a nominee who receives a greater number of "withhold" votes than votes "for" shall offer his or her resignation. A committee of independent directors whose election is not at issue will determine and publicly report the action to be taken with respect to the resignation offer. With respect to proposals 2 through 4 and 6, to approve each proposal the votes that shareholders cast "for" must exceed the votes that shareholders cast "against." Proposal 5 will be passed only if approved by two-thirds of the votes entitled to be cast on the proposal.

If your shares are held by a broker or other financial institution on your behalf (that is, in "street name"), and you do not instruct that firm as to how to vote these shares, Nasdaq rules allow the firm to vote your shares only on routine matters. Proposal 2, the ratification of the selection of the Company's independent auditors for fiscal 2015, is the only matter for consideration at the meeting that Nasdaq rules deem to be routine. For all other proposals, you must submit voting instructions to the firm that holds your shares if you want your vote to count. When a firm votes a client's shares on some but not all of the proposals, the missing votes are referred to as "broker non-votes." Please instruct your broker or other financial institution so your vote can be counted.

In addition to mailing the Notice of Internet Availability of Proxy Materials to shareholders, the Company has asked banks and brokers to forward copies of the Notice of Internet Availability of Proxy Materials, and upon request paper copies of the proxy materials, to persons for whom they hold stock of the Company and to request authority for execution of the proxies. The Company will reimburse the banks and brokers for their reasonable out-of-pocket expenses in doing so. Officers and employees of the Company may, without being additionally compensated, solicit proxies by mail, telephone, facsimile or personal contact. All proxy-soliciting expenses will be paid by the Company in connection with the solicitation of votes for the Annual Meeting. Georgeson Inc. may solicit proxies at a cost we anticipate will not exceed \$35,000.

NOTE ABOUT FORWARD-LOOKING STATEMENTS

Certain statements in this Proxy Statement, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this Proxy Statement. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially from the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section titled "Risk Factors" in our Forms 10-K and 10-Q. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

PROPOSAL 1: ELECTION OF DIRECTORS

The Board of Directors is divided into three classes. Directors are elected by class, for three-year terms. Successors to the class of directors whose term expires at any annual meeting are elected for three-year terms. Each of Jeffrey H. Brotman, Daniel J. Evans, Richard A. Galanti, Jeffrey S. Raikes and James D. Sinegal is nominated as a member of Class I, to serve for a three-year term until the annual meeting of shareholders in 2018 and until his successor is elected and qualified. All nominees are current directors.

Each nominee has indicated a willingness and ability to serve as a director. If any nominee becomes unable or unwilling to serve, the accompanying proxy may be voted for the election of such other person as will be designated by the Board. The proxies being solicited will be voted for no more than five nominees at

Table of Contents

the Annual Meeting. Each director will be elected by a plurality of the votes cast, in person or by proxy, at the Annual Meeting, assuming a quorum is present.

The candidates for election have been nominated by the Board based on the recommendation of the Nominating and Governance Committee. In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills that led the Board to conclude that he or she should serve as a director, the Board believes that each nominee has demonstrated: outstanding achievement in his or her professional career; relevant experience; personal and professional integrity; ability to make independent, analytical inquiries; experience with and understanding of the business environment; and willingness and ability to devote adequate time to Board duties. We also believe that our directors collectively have the skills and experience that make them well-suited to oversee the Company. They are established leaders in important areas of business, academia, government service, and other public and non-profit service. In addition, members of our Board have had a great diversity of experiences and bring a wide variety of views that strengthen their ability to guide our Company.

The Board of Directors unanimously recommends that you vote FOR Proposal 1.

Directors

The following table sets forth information regarding each nominee for election as a director and each director whose term of office will continue after the Annual Meeting.

Name	Current Position With the Company	Age	Expiration of Term as Director
Jeffrey H. Brotman	Chairman of the Board of Directors	72	2015
Benjamin S. Carson, Sr., M.D.	Director	63	2016
Susan L. Decker	Director	52	2017
Daniel J. Evans	Director	89	2015
Richard A. Galanti	Executive Vice President, Chief Financial Officer and Director	58	2015
William H. Gates	Director	89	2016
Hamilton E. James	Lead Independent Director	63	2016
W. Craig Jelinek	President, Chief Executive Officer and Director	62	2016
Richard M. Libenson	Director	72	2017
John W. Meisenbach	Director	78	2017
Charles T. Munger	Director	90	2017
Jeffrey S. Raikes	Director	56	2015
Jill S. Ruckelshaus	Director	77	2016
James D. Sinegal	Director	78	2015

Set forth below is information with respect to each director of the Company, which as used below means Costco Wholesale Corporation and includes its predecessor company, Costco Wholesale Corporation, as it existed prior to the 1993 merger with The Price Company.

Jeffrey H. Brotman is the Chairman of the Board of the Company. Mr. Brotman is a co-founder of the Company and has been Chairman of the Board since the Company's inception, except from October 1993 to December 1994, when he was Vice Chairman. Mr. Brotman's qualifications to serve on the Board include his roles as a co-founder of the Company and Chairman of the Board, his extensive knowledge of our Company's business developed over the course of his long career here, and his previous service on the boards of other public companies.

Benjamin S. Carson, Sr., M.D. has been a director of the Company since May 1999. From 1984 to 2013 he was a Professor and Director of Pediatric Neurosurgery at Johns Hopkins Medicine, where he is now

Table of Contents

Professor Emeritus. Dr. Carson has also served as a director of Kellogg Company since 1997, and most recently became the Chairman of the Board for Vaccinogen, Inc., for which he will also serve on the compensation committee and the nominating and governance committee. He has written extensively and is a frequent speaker on a variety of topics, including pediatric neurology, motivation and self-help for children, and community involvement. Dr. Carson's qualifications to serve on the Board include the knowledge and experience he has gained, and contributions he has made, during his tenure as a director of our Company, his service on the board of another public company, and his important role in one of the nation's leading institutions of higher learning.

Susan L. Decker has been a director of the Company since October 2004. She has been a principal of Deck3 Ventures LLC, a consulting and advisory firm in Menlo Park, California, since 2009. She served as Entrepreneur-in-Residence at Harvard Business School during the 2009-10 school year, where she was involved in case development activities and helped develop and teach the Silicon Valley Immersion Program for Harvard Business School. Ms. Decker was President of Yahoo! Inc. from June 2007 to April 2009. Prior to becoming President, she served as the head of one of Yahoo!'s two major business units, the Advertiser and Publisher Group, and as Executive Vice President and Chief Financial Officer from June 2000 to June 2007. She is a director of Berkshire Hathaway Inc., Intel Corporation, and was previously a director of LegalZoom and Pixar. Ms. Decker's qualifications to serve on the Board include the knowledge and experience she has gained, and contributions she has made, during her tenure as a director of our Company, her service on the boards of other public companies, and her broad-ranging experiences, including senior leadership positions, in the areas of finance, technology and marketing.

Daniel J. Evans has been a director of the Company since January 2003. He has been the chairman of Daniel J. Evans Associates, a consulting firm, since 1989. From 1983 through 1989, he served as a U.S. Senator for the State of Washington, and he was the President of The Evergreen State College from 1977 through 1983. From 1965 through 1977, he served as Governor of the State of Washington. Mr. Evans serves on the boards of NIC Inc. and Archimedes Technology Group. Mr. Evans' qualifications to serve on the Board include the knowledge and experience he has gained, and contributions he has made, during his tenure as a director of our Company, his service on the boards of other public companies, and his broad-ranging experiences in government and public service.

Richard A. Galanti has been a director of the Company since January 1995, and Executive Vice President and Chief Financial Officer of the Company since October 1993. Mr. Galanti's qualifications to serve on the Board include his extensive knowledge of the Company's business developed over the course of his long career here, particularly in the areas of finance and financial reporting.

William H. Gates has been a director of the Company since January 2003. He has been the Co-Chair of the Bill & Melinda Gates Foundation since its inception. He has served as trustee, officer and volunteer for more than two dozen Northwest organizations, including the Greater Seattle Chamber of Commerce and King County United Way. In 1995, he founded the Technology Alliance. From 1964 until 1994 Mr. Gates was a partner in the law firm of Preston, Gates & Ellis and predecessor firms. Mr. Gates' qualifications to serve on the Board include the knowledge and experience he has gained, and contributions he has made, during his tenure as a director of our Company and his broad-ranging experiences in the legal profession, one of the country's largest foundations, and other public-service positions. As previously disclosed, Mr. Gates has notified the Company that he will voluntarily resign as a member of the Board, effective after the conclusion of the 2015 Annual Meeting. The Company and the Board express their deepest gratitude to Mr. Gates for his more than eleven years of dedicated service.

Hamilton E. James has been a director of the Company since August 1988 and the Lead Independent Director since 2005. He is President and Chief Operating Officer of The Blackstone Group, a global alternative asset manager and provider of financial advisory services, and a member of the board of directors of its general partner, Blackstone Group Management L.L.C. He was previously Chairman of Global Investment Banking at Credit Suisse First Boston USA, Inc. Mr. James's qualifications to serve on the Board include the knowledge and experience he has gained, and contributions he has made, during his tenure as a director of our Company and his broad-ranging experiences in the financial services industry, including senior leadership positions.

Table of Contents

W. Craig Jelinek has been a director and President of the Company since February 2010, and Chief Executive Officer since January 1, 2012. Mr. Jelinek previously was President and Chief Operating Officer from February 2010 until January 2012, and was Executive Vice President in charge of merchandising beginning in 2004. He spent the previous twenty years in various management positions in warehouse operations. Mr. Jelinek's qualifications to serve on the Board include his extensive knowledge of our Company's business developed over the course of his long career here, particularly in the areas of operations and merchandising.

Richard M. Libenson has been a director of the Company since 1993 and has served as a consultant to the Company since that time. He was a founder and director of The Price Company from its formation in 1976 until it merged with the Company in 1993, and was an executive officer of The Price Company from 1976 until October 1989.

Mr. Libenson's qualifications to serve on the Board include his roles as a long-serving consultant to the Company and his extensive knowledge of our Company's business developed over the course of his long career here and with The Price Company.

John W. Meisenbach has been a director of the Company since its inception. He is President of MCM, A Meisenbach Company, a financial services company, which he founded in 1962. He also currently serves as a director of Expeditors International and M Financial Holdings. Previously Mr. Meisenbach was a trustee of the Elite Fund, a company registered under the Investment Company Act of 1940. Mr. Meisenbach's qualifications to serve on the Board include the knowledge and experience he has gained, and contributions he has made, during his tenure as a director of our Company, his service on the boards of other public companies, and his broad-ranging experiences in the insurance industry.

Charles T. Munger has been a director of the Company since January 1997. He is Vice Chairman of the Board of Directors of Berkshire Hathaway Inc., and Chairman of the Board of Directors of Daily Journal Corporation.

Mr. Munger's qualifications to serve on the Board include the knowledge and experience he has gained, and contributions he has made, during his tenure as a director of our Company, his service on the boards of other public companies, and his broad-ranging experiences in the areas of investments, finance, and insurance.

Jeffrey S. Raikes has been a director of the Company since December 2008. He is the co-founder of the Raikes Foundation. Previously he was the Chief Executive Officer of the Bill & Melinda Gates Foundation from 2008 to 2014. Mr. Raikes held several positions with Microsoft Corporation from 1981 to 2008, including President of the Business Division from 2005 to 2008. Mr. Raikes's qualifications to serve on the Board are broad-ranging experiences, including senior leadership positions, in the areas of technology and marketing and at one of the country's largest foundations.

Jill S. Ruckelshaus has been a director of the Company since February 1996. Ms. Ruckelshaus serves on the boards of various non-profit organizations. Previously she was a director of Lincoln National Corporation. Her qualifications to serve on the Board include the knowledge and experience she has gained, and contributions she has made, during her tenure as a director of our Company, her service on the boards of other public companies, and her broad-ranging experiences in government and other public service.

James D. Sinegal was Chief Executive Officer of the Company until his retirement on December 31, 2011. He was also President until February 2010 and served as a non-officer employee from January 2012 through April 2013.

Mr. Sinegal is a co-founder of the Company and has been a director since its inception. Mr. Sinegal's qualifications to serve on the Board include his roles as a co-founder of the Company, President, and Chief Executive Officer, his extensive career in the retail industry, and his knowledge of our Company's business developed over the course of his long career here.

No family relationship exists among any of the directors or executive officers. No arrangement or understanding exists between any director or executive officer and any other person pursuant to which any director was selected as a director or executive officer of the Company.

Committees of the Board

The Board has determined that each member of the Audit, Compensation and Nominating and Governance Committees meets Nasdaq listing standards regarding "independence," including applicable

Table of Contents

committee independence requirements. Each committee has a written charter, which may be viewed at our website at www.costco.com through the Investor Relations page. Directors deemed independent are Mses. Decker and Ruckelshaus and Messrs. Carson, Evans, Gates, James, Munger and Raikes, who constitute a majority of the Board. The non-executive directors of the Company met in executive session presided over by the Lead Independent Director at one meeting this year.

Audit Committee. The functions of the Audit Committee include (among others):

- providing direct communication between the Board and the Company's internal and external auditors;
- monitoring the design and maintenance of the Company's system of internal accounting controls;
- selecting, evaluating and, if necessary, replacing the external auditors;
- reviewing the results of internal and external audits as to the reliability and integrity of financial and operating information;
- maintaining procedures for receipt, retention and treatment of any complaints received by the Company about its accounting, internal accounting controls or auditing matters and for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- reviewing the relationships between the Company and the external auditors to ascertain the independence of the external auditors; and
- approving compensation of the external auditors.

The members of the committee are Messrs. Munger (chair) and Evans and Ms. Decker. The Board has determined that Mr. Munger is an "audit committee financial expert" as defined by the rules of the Securities and Exchange Commission ("SEC"). In order to assure continuing auditor independence, the Audit Committee periodically considers whether there should be a regular rotation of the external auditors. In conjunction with the mandated rotation of the external auditor's lead engagement partner, the Audit Committee and its chairperson are directly involved in the selection of the new lead engagement partner. The Audit Committee met eight times during fiscal 2014. A report of the Audit Committee is set forth below.

Compensation Committee. The Compensation Committee's function is to review the salaries, bonuses and stock-based compensation provided to executive officers of the Company and to oversee the overall administration of the Company's compensation and stock-based compensation programs. Except with respect to setting the compensation of the chief executive officer, the committee may delegate its authority to a subcommittee of the committee (consisting either of a subset of members of the committee or any members of the Board who would be eligible to serve on the committee). In addition, to the extent permitted by applicable law, the committee may delegate to one or more executive officers of the Company the authority to grant stock options and other stock awards to employees who are not executive officers or members of the Board. The committee has delegated certain authority to the Chief Executive Officer and Chairman of the Board with respect to such awards not involving executive officers. See Compensation Discussion and Analysis below for a further description of the role of the committee. The members of the committee are Messrs. Carson (chair) and Munger and Ms. Ruckelshaus. The Compensation Committee met two times during fiscal 2014. A report of the Compensation Committee is set forth below.

Nominating and Governance Committee. The functions of the Nominating and Governance Committee are to identify and approve individuals qualified to serve as members of the Board, select director nominees for the annual meeting of shareholders, evaluate the Board's performance, develop and recommend to the Board corporate governance guidelines, and provide oversight with respect to corporate governance and ethical conduct. The members of the committee are Messrs. Gates (chair), Evans and Raikes and Ms. Ruckelshaus. The committee is authorized by its charter to engage its own advisors. The committee approved the nomination of the candidates reflected in proposal 1. The Board is responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of shareholders. The committee is responsible for identifying, screening and recommending to the Board candidates for Board membership. When formulating its recommendations, the committee will also consider advice and recommendations from others as it deems appropriate. The committee met four times in fiscal 2014.

Table of Contents

The committee will consider shareholder recommendations for candidates to serve on the Board. In accordance with our Bylaws, the name of any recommended candidate, together with pertinent biographical information, a document indicating the candidate's willingness to serve if elected, and evidence of the nominating shareholder's ownership of Company stock should be sent to the Secretary of the Company. The Company may require additional information, as described in our Bylaws. Our Corporate Governance Guidelines provide that nominees for director will 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 does not set specific, minimum qualifications that nominees must meet in order for the committee to recommend them to the Board, but rather believes that each nominee should be evaluated based on his or her individual merit, taking into account the needs of the Company and the composition of the Board.

We believe that the Company benefits from having directors with a diversity of viewpoints, backgrounds, and experiences. Currently, of the fourteen directors on the Board, two are women and one is African American. In addition, as discussed above, our directors bring a diversity of viewpoints and experiences as established leaders in important areas of business, academia, government service, and other public and non-profit service that we believe strengthens the Board's ability to guide our Company. Pursuant to our Corporate Governance Guidelines, the Nominating and Governance Committee oversees a self-assessment of the Board's performance every third year. The assessment seeks to identify specific areas, if any, in need of improvement or strengthening, including with respect to the diversity of our Board in terms of viewpoints, backgrounds and experiences.

Formal nomination of candidates by shareholders requires compliance with section 2.1 of the Bylaws. There is otherwise no formal process prescribed for identifying and evaluating nominees, except as described in the Corporate Governance Guidelines.

Corporate Governance Guidelines. The Board has adopted Corporate Governance Guidelines, which may be viewed at www.costco.com through the Investor Relations page.

Board Structure. The Corporate Governance Guidelines provide that the Board does not require the separation of the offices of the Chairman of the Board and the Chief Executive Officer and shall be free to choose its Chairman in any way that it deems best for the Company at any given point in time. Currently the positions of Chairman and Chief Executive Officer are filled separately. The Board believes that this structure is appropriate for the Company at this time. As a co-founder of the Company, Mr. Brotman has played a critical role in the growth of the Company, and his role as Chairman is complemented by the role of Mr. Jelinek as president and chief executive officer and a more active participant in day to day management of the Company. In addition, the Board believes that it obtains effective additional board leadership through the role of the Lead Independent Director, currently filled by Mr. James. The Lead Independent Director presides over executive sessions of the Board and otherwise facilitates communication among senior management and the non-employee directors.

The Role of the Board in Risk Oversight. One of the Board's functions is to oversee the ways in which management deals with risk. The Board seeks to ensure that management has in place processes for dealing appropriately with risk. It is the responsibility of the Company's senior management to develop and implement the Company's short- and long-term objectives and to identify, evaluate, manage and mitigate the risks inherent in seeking to achieve those objectives. Management is responsible for identifying risk and risk controls related to significant business activities and Company objectives, and developing programs to determine the sufficiency of risk identification, the balance of potential risk to potential reward, the appropriate manner in which to control risk, and the support of the risk-controlling behavior and the risk to Company strategy. The Board implements its risk oversight responsibilities primarily through the Audit Committee, which receives management reports on the potentially significant risks that the Company faces and how the Company is seeking to control risk where appropriate and oversees internal control over financial reporting. 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 chief executive officer and management. Board members also

Table of Contents

often discuss risk as a part of their review of the ongoing business, financial, and other activities of the Company. The Board also has overall responsibility for executive-officer succession planning. The Nominating and Governance Committee also exercises oversight regarding risks associated with corporate governance matters and certain issues relating to the Company's ethics and compliance programs.

Compensation of Directors

Each non-employee director earns \$30,000 per year for serving on the Board and \$1,000 for each Board and committee meeting attended. Directors are reimbursed for travel expenses incurred in connection with their duties. In fiscal 2014, each non-employee director received an annual grant of 2,400 restricted stock units ("RSUs") near the beginning of the fiscal year. These RSUs vest one-third annually, beginning on the first anniversary of the date of grant and are subject to accelerated vesting upon the director's retirement: 50% and 100% after five and ten years of service (respectively). The compensation for non-executive directors was adjusted in fiscal 2014 (when the number of RSUs was reduced from 3,000). Corporate governance guidelines, which have been met by all directors, require non-executive directors to own and maintain at least 6,000 shares of Company stock by April 2014 or within five years of joining the Board.

The following table summarizes information regarding director compensation for the non-employee directors of the Company for fiscal 2014.

Name	Fees Earned or Paid in Cash (\$) ¹	Stock Awards (\$) ²	All Other Compensation (\$)	Total (\$)
Benjamin S. Carson, Sr. M.D.	36,000	275,784		311,784
Susan L. Decker	42,000	275,784		317,784
Daniel J. Evans	45,000	275,784		320,784
William H. Gates	38,000	275,784		313,784
Hamilton E. James	34,000	275,784		309,784
Richard M. Libenson	34,000	275,784	330,246 ³	640,030
John W. Meisenbach	34,000	275,784		309,784
Charles T. Munger	44,000	275,784		319,784
Jeffrey S. Raikes	37,000	275,784		312,784
Jill S. Ruckelshaus	39,000	275,784		314,784
James D. Sinegal	34,000	275,784		309,784

(1) Represents the amount of cash compensation received for fiscal 2014 Board service.

In 2014, the Board of Directors granted 2,400 restricted stock units ("RSUs") to each of the non-employee directors. These grants will vest over a three-year period, subject to the director's continued Board service, and certain acceleration provisions upon retirement from the Board. This column represents the grant-date fair value of the

(2) RSUs granted to each non-employee director in 2014. The grant-date fair value is calculated as the market value of the common stock on the grant date less the present value of the expected dividends forgone during the vesting period. These amounts thus do not reflect the amount of compensation actually received by the non-employee directors during the fiscal year. For a description of the assumptions used in calculating the fair value of equity awards, see Note 1 of our financial statements in our Form 10-K for the year ended August 31, 2014.

Richard M. Libenson has been engaged as a consultant to the Company. For such services, a corporation he owns was paid \$300,000 during fiscal 2014. In addition, the Company paid premiums on long-term disability insurance (3) in the amount of \$4,160 and premiums for health care insurance in the amount of \$17,821. Mr. Libenson received benefits associated with a split-dollar life insurance plan for which the Company paid a premium of \$8,265 this fiscal year. These services and transactions were approved by the Audit Committee.

Table of Contents

At the end of fiscal 2014, non-employee directors held the following shares and outstanding equity awards:

Name	Stock Options	Restricted Stock Units	Shares Owned	Total
Benjamin S. Carson, Sr., M.D.	—	5,628	9,728	15,356
Susan L. Decker	—	5,628	37,589	43,217
Daniel J. Evans	—	5,628	20,028	25,656
William H. Gates	—	5,628	41,306	46,934
Hamilton E. James	—	5,628	23,448	29,076
Richard M. Libenson	—	23,565	102,595	126,160
John W. Meisenbach	—	5,628	50,703	56,331
Charles T. Munger	6,457	5,628	162,091	174,176
Jeffrey S. Raikes	—	5,628	17,478	23,106
Jill S. Ruckelshaus	—	5,628	21,794	27,422
James D. Sinegal	—	3,117	1,699,498	1,702,615

Shareholder Communications to the Board

Shareholders may contact an individual 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.

Meeting Attendance

During the Company's last fiscal year, the Board met four times. Each member of the Board attended 100% of the Board meetings and meetings of the committees on which he or she served, with the exception of Ms. Decker, who missed one Audit Committee meeting, and Ms. Ruckelshaus, who missed one Nominating and Governance Committee meeting. As set forth in our Corporate Governance Guidelines, directors are invited and encouraged to attend meetings of shareholders. All directors except two attended the meeting in 2014.

PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding ownership of the common stock by each person known to the Company to own more than 5% of the outstanding shares of the common stock on November 20, 2014.

Name and Address of Beneficial Owner	Shares	Percent ¹
Vanguard Group Inc. P.O. Box 2600, V26 Valley Forge, Pennsylvania 19482	22,687,427 ²	5.15%

Based on 440,499,129 shares of common stock outstanding on November 20, 2014. In accordance with SEC rules, percent of class as of this date is calculated for each person and group by dividing the number of shares (1) beneficially owned by the sum of the total shares outstanding plus the number of shares subject to securities exercisable by that person or group within 60 days.

(2) Information based on Form 13F-HR filed with the SEC by Vanguard Group Inc. on November 12, 2014.

Table of Contents

The following table sets forth the shares of the common stock owned by each director of the Company, each nominee for election as a director of the Company, the executive officers named in the Summary Compensation Table, and all directors and executive officers as a group on November 20, 2014.

Name of Beneficial Owner	Shares Beneficially Owned ¹	Options	Total	Percent of Class ²
Jeffrey H. Brotman	612,517 ³	—	612,517 ³	*
W. Craig Jelinek	246,256	80,722	326,978	*
Benjamin S. Carson, Sr., M.D.	17,756	—	17,756	*
Susan L. Decker	45,617	—	45,617	*
Daniel J. Evans	28,056 ⁴	—	28,056 ⁴	*
Richard A. Galanti	38,047 ⁵	7,000	45,047 ⁵	*
William H. Gates	49,334	—	49,334	*
Hamilton E. James	31,476	—	31,476	*
Richard M. Libenson	107,671 ⁶	—	107,671 ⁶	*
John W. Meisenbach	58,731 ⁷	—	58,731 ⁷	*
Charles T. Munger	170,119 ⁸	6,457	176,576 ⁸	*
Jeffrey S. Raikes	25,506	—	25,506	*
Jill S. Ruckelshaus	29,822	—	29,822	*
James D. Sinegal	1,703,295 ⁹	—	1,703,295 ⁹	*
Joseph P. Portera	83,051	—	83,051	*
Dennis R. Zook	37,699	—	37,699	*