



SUPPLIER CODE OF CONDUCT

I. PURPOSE

Costco Wholesale Corporation is committed to protecting the working rights and safety of the people who produce the merchandise it sells, while recognizing and respecting the cultural and legal differences found throughout the world. To these ends, Costco:

1. prohibits slave labor, human trafficking, illegal child labor, illegal prison labor and physical abuse of employees;
2. expects its suppliers to comply, at a minimum, with the applicable labor and environmental laws and regulations of the country where the merchandise is produced; and
3. encourages its suppliers to work to achieve "Above and Beyond Goals."

Through this approach, Costco believes that practical and realistic protections and improvements for employees will occur. Costco's Supplier Code of Conduct applies to all suppliers who provide merchandise to Costco. Costco will seek to identify and utilize suppliers who share our commitment and reserves the right to conduct, or have conducted on our behalf, audits of production facilities and business practices in order to monitor such suppliers' commitment. Costco reserves the right to cease doing business with any supplier who does not share our commitment. This Supplier Code of Conduct may be amended by Costco; its enforcement and/or interpretation rests solely with Costco; and it does not confer or create any rights in favor of any party other than Costco.

II. AUDIT ETHICS

The highest standards of integrity are expected in all aspects of the audit process. Any and all forms of bribery, corruption, deception and records falsification are strictly prohibited. The business relationship may be immediately impacted by any such finding.

Costco employees and independent auditors acting on behalf of Costco, are prohibited from accepting gratuities from vendors, members/customers, suppliers, facilities, or service agencies with whom Costco presently does business, has done business, or any entity that may be considered for future business. Gratuities include gifts, moneys, trips, meals, lodging or special favors. Failure to comply is a serious matter and will result in the termination of business relationship with the supplier facility, or service agency.

The retaliation or reprisal against any person who in good faith reports unlawful or inappropriate activity related to the Supplier Code of Conduct and or the audit process may give cause to interrupt the business relationship.

III. DEFINITIONS

Above and Beyond Goals includes programs and policies adopted and implemented by suppliers and facilities which exceed the local laws and seek to continuously improve the working conditions of employees and the protection of the environment. Costco will seek to utilize suppliers and facilities who strive to achieve Above and Beyond Goals and demonstrate a continuing commitment to the protection and improvement of employees' rights, safety and the environment.

Costco means Costco Wholesale Corporation, its subsidiaries, affiliates and joint ventures, including Costco Wholesale Canada Ltd., Costco Wholesale UK Limited, Costco Wholesale Korea, Ltd., Costco President Taiwan, Inc., Costco de Mexico, S.A. de C.V., Costco Wholesale Japan, Inc., and Costco Wholesale Australia Pty. Ltd., all of which are referred to collectively as “Costco.”

Employee(s) means any current or former employee, laborer, worker, or staff member of the facility and any supplier or subcontractor employed or retained, directly or indirectly, to perform services relating to the manufacturing, processing, harvesting or production of merchandise sold to Costco.

Facility means the primary facility, manufacturing or processing plant which produces the Merchandise or any goods and/or services integral to the production of the Merchandise. The Facility may be owned by the Supplier or may be a subcontractor.

Merchandise means all goods described in any Costco purchase order and all packaging, including pallets, instructions, warranties and other materials and services normally included with such Merchandise.

Supplier(s) means the entity which provides the Merchandise to Costco and includes the entity’s parent, affiliates, subsidiaries, agents, representatives, principals and family members, and other businesses, names or trade names used by such entity in relation to the sale of merchandise to Costco.

IV. FACILITY, SUPPLIERS AND SUBCONTRACTORS

Supplier is responsible for ensuring compliance with Costco’s Code of Conduct by all Facilities and their Suppliers or subcontractors who produce or provide materials or services which are used in the manufacturing, processing, harvesting or production of merchandise sold to Costco.

V. DOCUMENTATION

The documentation that may be needed to verify compliance with Costco’s Code of Conduct and with all the applicable laws and regulations of the country where the merchandise is produced, must be maintained or available on-site at the processing or manufacturing Facility. All such documentation is to be made available upon request of Costco or its third-party auditor.

VI. CHILD LABOR

All Employees shall be of legal age established by local law. If the local law does not set a minimum age, employees must be at least fourteen (14) years old. Supplier and Facility must maintain official and verifiable documentation of each Employee’s date of birth, or lacking this documentation, have a legally recognizable means of confirming each Employee’s age.

The use of legitimate workplace apprenticeship programs, which comply with all laws and regulations, are permitted.

Except where local law provides otherwise, workers under the age of eighteen (18) should not perform hazardous work and may be restricted from night work with consideration given to educational requirements.

VII. PHYSICAL ABUSE, SLAVE LABOR AND PRISON LABOR

The infliction of any physical abuse or corporal punishment is strictly prohibited. Suppliers and Facility shall not use any slave labor or permit human trafficking in its supply chain. Prison labor shall not be used unless in compliance with local law, a work-release, job training or similar program.

VIII. LABOR AND EMPLOYMENT STANDARDS

Supplier and Facility shall comply with all national, local, provincial or other applicable labor and employment laws and regulations of the country where the merchandise is produced. Included are those laws that prohibit forced or bonded labor and indentured servitude. Additional laws which must be followed are those which regulate: wages; working hour restrictions; employees' right to associate freely; use of foreign contract or migrant workers; discriminatory hiring and employment practices based on race, color, religion, sex, age, physical ability, or national origin.

In addition, the following may be mandated by local laws, requiring full compliance by Supplier and Facility. If not mandated by local laws, Suppliers and Facility are strongly encouraged to adopt the following as "Above and Beyond Goals" to be included in their management practices:

- A. Terms of Employment:** At time of hiring, all Employees are to be informed in writing of the basic terms of employment. Terms of employment should be written in a language understood by the Employee and a copy is to be provided to the Employee. Suppliers and Facility are not permitted to withhold deposits or impose any fees as a condition of employment, unless specifically authorized by law and if imposed, all withholdings or fees must be in accordance with such laws. If Suppliers or Facility use employment agencies in the recruiting and hiring of Employees, the Suppliers or Facility are to pay applicable fees. Under no circumstances are these fees to be deducted later or withheld from the Employees' wages or otherwise passed on to the Employees.
- B. Wages and Benefits:** The wage paid by Suppliers and Facility shall be at least the legal minimum wage. Benefits shall include, at a minimum, those mandated by law. The wage structure, with any employer contributions and legitimate deductions, is to be clearly itemized in writing for the Employees. Wages are to be paid at least monthly or on the legally required schedule, whichever is more frequent and in a manner convenient to the Employees.
- C. Regular Working Hours and Overtime Hours:** Suppliers and Facility shall comply with applicable laws on regular working hours and overtime hours. No mandatory excess overtime is allowed unless local law provides otherwise. In such case, legal overtime waivers, if applicable, are to be obtained in accordance with and as required by the local law. Employees are to receive overtime pay, which is higher than the regular wage. In addition, if legal overtime is necessary, particularly if the industry is seasonal in nature, Employees are to be advised prior to the time of hiring.
- D. Foreign or Migrant Workers:** If foreign or migrant workers are engaged, they are to be employed in full compliance with the labor and immigration laws of the host country. Prior to hiring, the basic terms under which foreign contract or migrant workers are employed are to be provided to the worker and written in the language of the workers' home country or in a language the workers understands. Passports and other forms of personal identification shall remain in the worker's possession at all times and are never to be withheld by the Suppliers, Facility or any third party.
- E. Disciplinary Practices:** Suppliers and Facility shall not engage in physical, mental, verbal or other abuse. All Employees are to be treated with respect and dignity.

IX. HEALTH, SAFETY AND HOUSING STANDARDS.

Suppliers and Facility shall comply with all national and local, provincial or applicable laws and regulations of the country where the merchandise is produced, processed or harvested that are related to the health and safety of employees.

In addition, the following may be mandated by local laws, requiring full compliance by Suppliers and Facility. If not mandated by local laws, Suppliers and Facility are strongly encouraged to adopt the following as "Above and Beyond Goals" and included in their management practices. Suppliers and Facility shall have, at a minimum, policies and practices which address the following:

- A. Health and Safety Education:** Employees are to be educated on the importance of health and safety, and good sanitation. Suppliers and Facility are to take steps and adopt procedures to prevent accidents, injury and the spread of communicable diseases. Readily understandable instructions and signs are to be posted, and/or manuals are to be accessible describing the safe operation and handling of dangerous equipment and hazardous materials. Employees who use hazardous or flammable materials or operate dangerous equipment must be properly trained.
- B. First Aid and Emergency Care:** On-site trained first-aid personnel are to be available at all times. Well-stocked general first-aid medical supplies are to be located throughout the Facility. In the event of any serious injuries, Employees are to be provided with medical treatment at the closest outside medical facility. These services are to be provided at no cost to the Employees, unless such Employees' health insurance coverage, if any, provides otherwise.
- C. Emergency Exits:** Easily accessible exit doors and stairways are required. These exit doors and stairways are to be clearly marked and free of any obstructions. They are not to be locked and are to be available for fire and other emergency escapes during all hours Employees are working.
- D. Fire Safety and Emergency Evacuation:** Fire and other emergency evacuation drills are to be conducted. Sufficient and accessible fire extinguishers and/or fire hoses in good working condition are to be located throughout the Facility and inspected on a regular basis. Trained supervisors located throughout the Facility are to be designated to monitor the safe and orderly evacuation of all Employees.
- E. Ventilation and Lighting:** Work areas are to be properly ventilated. In hot environments, sufficient fans are to be provided for the basic well-being of Employees. In cold environments, sufficient heating without risk to safety is to be provided. Adequate lighting and workspace are to be provided for the safety and well-being of the Employees. In all work areas where painting, lacquering, spraying, or sanding is done or where chemicals or solvents are used, adequate and proper ventilation and air circulation are to be provided.
- F. Uniform and Safety Protection Gear:** Uniforms, if required, are to be provided at no cost to the Employees. Employees performing tasks involving painting, lacquering, spraying, sanding or application of chemicals or solvents, must be required to wear face masks and other appropriate protective clothing, all provided at no cost to the Employees. All such chemicals used must be safe and must not pose any short or long-term safety risk to the Employees. In areas where the work may pose physical dangers, Employees are required to wear protective gear, such as: eye protection, gloves, welding masks, hard hats, appropriate shoes, insulated clothing, hearing protection, etc; all provided at no cost to the Employees.
- G. Sanitation:** Adequate and clean toilet and hand-washing facilities with basic hygiene amenities are to be provided. Food processing facilities must pass Costco's Food Safety Audit.
- H. Drinking Water:** Safe drinking water is to be provided and easily accessible at all times. There are to be no restrictions on the normal consumption of drinking water.
- I. Freedom of Movement and Association:** While reasonable rules, regulations and curfews may be imposed as necessary for the safety and comfort of Employees, during non-working hours, Employees must be free to leave the Facility grounds. If Employees live in Facility dormitories where local law allows curfew hours, Employees are to be notified of the curfew and instructed on the safety risks in and around the dormitories. Foreign or migrant workers are not subject to lock-in/lock-out policies.
- J. Housing:** In the event that dormitory housing and meals are provided, in keeping with the employment agreement, these accommodations must comply with the applicable health and sanitation laws and regulations. Each Employee is to be provided with his or her own bed and clean bedding at no cost. Dormitory quarters for unmarried Employees are to be segregated by gender. Sufficient toilet and washing facilities segregated by gender are to be provided.

K. Meals: When meals are provided in keeping with the employment agreement, a minimum of three meals which meet or exceed the basic nutritional requirements per day are to be provided without cost or at a minimum subsidized cost to all employees.

L. Services: If personal items, such as hygiene supplies, postage, stationery, etc., are made available, these are to be provided at no more than the local market prices for the same or similar products.

X. FACILITY ENVIRONMENTAL STANDARDS

Supplier and Facility shall recognize that environmental responsibility is global. In manufacturing and processing operations, adverse affects upon the community, environment and natural resources are to be minimized while safeguarding the health and safety of the public.

Suppliers and Facility shall comply with all national, local, provincial or other applicable environmental laws and regulations of the country where the merchandise is produced. All required environmental permits and registrations are to be kept current and must be available on premises for review.

All hazardous materials and chemicals including wastewater and solid waste generated from operations must be disposed of using environmentally responsible practices. Recycling is strongly encouraged. In the event hazardous or polluting materials are discharged improperly, Suppliers and Facility must notify the appropriate authorities and take immediate remedial actions.

To improve the air quality when using chemicals and solvents, Suppliers and Facility will not use any ozone-depleting chemicals (ODCs).

XI. FACILITY AUDITS

Costco reserves the right to audit or authorize a third party to audit all facilities which participate in the harvesting, manufacturing or processing of merchandise for Costco. Such audits may include any Facility or subcontractor used by the Facility. The audit shall be unrestricted, and may occur with or without advance notice. Supplier shall require that the facility's management provide access to the Facility and all books and records which will allow for a comprehensive Code of Conduct audit to be conducted, including an opportunity for confidential and private interviews with facility employees selected by the auditor. No retaliation shall be taken against any Employee or auditor. The audit shall be at Supplier's expense.

Upon review of any unsatisfactory audit results, Costco, in its sole discretion, may terminate its relationship with a Supplier or Facility, cancel a purchase order, return or revoke acceptance of affected goods and/or require corrective action be taken. The Supplier shall be liable for all related damages incurred by Costco, including lost profits.

XII. AUDIT RESULTS AND CONSEQUENCES

A. Critical Violations

1. Definition: Verifiable findings of slave labor, human trafficking, illegal child labor, illegal prison labor and physical abuse, bribery, or attempted bribery shall be considered critical violations. Failures to follow local laws in the payment of minimum wage, overtime wage, timely wage payments, and failure to provide rest days may also be considered critical violations.

2. Consequences:

a) Slave labor, human trafficking, illegal child labor, illegal prison labor and physical abuse, bribery and attempts at bribery must cease immediately. Within 48 hours of the audit, a

detailed and proactive Action Plan, addressing these and all other critical violations shall be submitted to Costco. A plan for sustainable improvement will be required.

- b) The violating Supplier/Facility will be subject to immediate sanctions up to and including termination of the purchase order or contract, in whole or in part, and restrictions on future business.
- c) If the business relationship has been terminated, Costco may consider resuming business with a Supplier/Facility only after an audit satisfactory to Costco has been completed. A plan for sustainable improvement may be required.

B. Other Violations

1. Definition: Verifiable findings of failure to comply with national, local labor, health and safety and/or environmental laws and regulations.
2. Consequences:
 - a) The Supplier must present an Action Plan which includes a time frame for correcting each audit concern. Costco will review and approve the Action Plan and set a target re-audit date. The time frame for any correction or re-audit may be extended at Costco's sole discretion.
 - b) If continuous improvement and eventual full compliance are not achieved within a reasonable time frame, Costco may terminate the business relationship with the Supplier and/or Facility.
 - c) If the business relationship has been terminated, Costco may consider resuming business with a Supplier/Facility only after an audit satisfactory to Costco has been completed. A plan for sustainable improvement may be required.