

**Costco Wholesale Australia**

ABN 57 104 012 893  
17-21 Parramatta Road  
Lidcombe NSW Australia 2141  
Telephone: 61 2 9469 7999  
PO Box 7196  
Silverwater NSW 2128



[www.costco.com](http://www.costco.com)

October 10, 2018

As is our custom, we take this opportunity to extend good wishes to all our business partners around the world. We also extend our appreciation to you as one of our most valued suppliers as we begin our thirty-fifth year of business at Costco. We have been very fortunate and much of our success can be attributed to the valuable support and encouragement we have received from the people who provide us goods and services – suppliers such as your company.

Our fiscal year concluded on August 31, with sales of over \$1.78 billion and net income of \$29 million. Both figures are record highs for our Company. Additionally, sales increases for the first two months of our new fiscal year, September and October, have continued positively. We sincerely thank each of you for your role in this success, and hope that our business relationship will continue.

We also take this opportunity to review our Company policy with regard to gratuities. This message is fundamental to our Company philosophy and a business imperative for Costco and all of its suppliers. Our policy expressly prohibits the acceptance by our employees of any gratuity from a vendor, supplier, or service agency with whom Costco currently does business or is considering for future business. Gratuities are interpreted to include gifts, money, loans, trips, meals, lodging, or special favours. The reason for the policy is obvious. We cannot allow our Company to be compromised in our business dealings, and acceptance of favours or gifts can impair our objective judgment, as well as violate the law. All gratuities or inducements offered by suppliers or prospective suppliers, regardless of the reason, intent or circumstances, will be politely but firmly refused or returned.

This rule applies to all Costco employees, and failure of our employees to comply will be considered a most serious matter. Likewise, actions by any supplier in an effort to compromise our employees will result in our terminating business relations with that supplier and possible referrals to government authorities. Our Company policy further prohibits any Costco employee from giving gifts to the employees of any supplier, where such gifts could be reasonably construed as an attempt to procure business improperly or as a bribe by any reasonable standard of business ethics. It also prohibits our business partners or potential business partners from giving gratuities to other parties (including, importantly, government employees) in connection with Costco-related business.

I know that as a business person you can understand the necessity for our policy, and I'm sure that we can count on you to help us by insisting that everyone in your organization, including sales agents employed by your firm, respect and adhere to these standards.

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Business relationships like the one that exists between our two companies are valued assets for Costco. One of the basic tenets of our corporate mission statement is that we must "Respect Our Suppliers." We insist that our buyers be tough and demanding in all negotiations, but always be fair and aware of our obligation to honour our part of the deal. I trust you would feel obligated to be personally candid with me or any member of the Costco management team if you felt Costco was not abiding by this commitment.

We maintain a confidential Costco Ethics Line, which can be accessed at [www.costco.ethicspoint.com](http://www.costco.ethicspoint.com). This tool allows, in multiple languages, reports to be made confidentially, via telephone or through the internet, by suppliers to raise concerns about improper or illegal conduct by our suppliers, including violations of our Vendor Code of Conduct. It is also available for reports of misconduct by Costco employees. We encourage you to use this tool to help us maintain our high standards.

Thank you for your cooperation and respect for our Company. We hope that both of our companies will continue to prosper together in our business relationship for many years into the future.

Sincerely,

A handwritten signature in black ink, appearing to be "P. Noone", written over a light blue horizontal line.

Patrick Noone  
Managing Director