



SUPPLIER CODE OF CONDUCT

I. PURPOSE

Costco Wholesale Corporation is committed to protecting the working rights and safety of the people who produce, process or harvest the Merchandise it sells, while recognizing and respecting the cultural and legal differences found throughout the world. To these ends, Costco expects its Suppliers and Facilities to comply, at a minimum, with all applicable labor, employment, health and safety, and environmental laws and regulations of the country where the Merchandise is produced. In the absence of Applicable Laws and Regulations, Suppliers and Facilities are expected to meet the requirements set forth in this Supplier Code of Conduct.

Additionally, Costco 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 utilize Suppliers that share its commitment. Costco will conduct, or have conducted on its behalf, audits of production facilities and business practices in order to monitor Suppliers' commitment to the Code. Costco also reserves the right to terminate the relationship with any Supplier and/or Facility that does not comply with this Code.

This Supplier Code of Conduct, and any attachments, may be amended by Costco from time to time; its enforcement and/or interpretation rests solely with Costco and does not confer or create any rights in favor of any party other than Costco.

II. DEFINITIONS

Above and Beyond Goals include programs and policies adopted and implemented by Suppliers and Facilities that exceed the local laws and this Supplier Code of Conduct, and that seek to continuously improve the working conditions of employees and the protection of the environment.

Applicable Laws and Regulations mean all national, provincial, local and other applicable labor and employment, health and safety, and environmental laws and regulations of the country where the Merchandise is produced.

Code means this Supplier Code of Conduct

Costco means Costco Wholesale Corporation, its subsidiaries, affiliates and joint ventures.

Employee(s) means any current or former employee, laborer, worker, or staff member employed or contracted by the Supplier, Facility or Subcontractor, which includes all foreign and migrant workers.

Facility means any entity that produces, processes or harvests the Merchandise sold to Costco. The Facility may be either owned or contracted by the Supplier.

Home Worker means any individual who performs services related to the manufacturing, processing, harvesting or production of Merchandise sold to Costco from his or her home or premises other than the Facility.

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

Subcontractor means any entity that is contracted by the Facility to produce, process or harvest Merchandise sold to Costco.

Supplier means the entity that has been contracted by Costco to provide Merchandise.

Unauthorized Subcontracting means the assigning, delegating or otherwise transferring of any portion of a purchase order to a Facility without full disclosure to and consent by Costco.

III. SUPPLIERS, FACILITIES, SUBCONTRACTORS AND HOME WORKERS

Supplier is responsible for ensuring compliance with Costco's Supplier Code of Conduct throughout the Merchandise supply chain.

All Facilities engaged in the production of Merchandise sold to Costco are required to be disclosed to and approved by Costco. The failure to do so is considered Unauthorized Subcontracting.

Facility shall only employ or contract home work practices consistent with Applicable Laws and Regulations. Facility shall document and monitor all home work¹.

Facility shall maintain a list of all entities, including Subcontractors and Home Workers, who produce or provide materials or services that are incorporated into the manufacturing, processing, harvesting or production of Merchandise sold to Costco.

IV. DOCUMENTATION

The documentation necessary to verify compliance with Costco's Supplier Code of Conduct and with all Applicable Laws and Regulations shall be maintained, and shall be made available upon request of Costco or its third-party auditor. This requirement also applies to any third-party employment agencies used by the Facility. Documentation includes, but is not limited to licenses, permits, certifications, policies and procedures, and Employee and Facility records.

¹ Adapted from International Labour Organization Home Work Convention, 1996 (No. 177) and Home Work Recommendation, 1996 (No. 184)

V. CHILD LABOR AND YOUNG WORKERS

All Employees shall be of at least 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. Official and verifiable documentation of each Employee's date of birth, or a legally recognizable means of confirming each Employee's age, shall be maintained.

The use of legitimate workplace apprenticeship programs, which comply with Applicable Laws and Regulations, are permitted.

Employees under the age of eighteen (18) shall not perform hazardous work that may jeopardize their health, safety or morals. Hazardous work includes, but is not limited to: work at dangerous heights or in confined spaces; work with hazardous substances, dangerous machinery, equipment and/or tools; work that involves the manual handling or transport of heavy loads; and night work.

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VI. FORCED, BONDED, INDENTURED, SLAVE AND PRISON LABOR, AND HUMAN TRAFFICKING

All Employees shall work on a voluntary basis and not be subject to any exploitation, such as forced, bonded and indentured labor, or sexual exploitation. Employees shall not be subject to any forms of coercion, fraud, deception, or giving up control of their person to another for the purpose of such exploitation.⁴

Employees shall not be mandated to work overtime hours or complete production quotas that result in a violation of legal working hour requirements. Employees shall maintain possession or have control of personal identity and travel documents. Employees' freedom of movement shall not be restricted, nor shall Employees be prevented from terminating employment. Wages shall not be withheld except as mandated by law.⁵

Supplier and Facility shall only use legally recognized employment agencies with a current license and shall ensure that recruitment of Employees, whether directly or indirectly, is in compliance with Applicable Laws and Regulations. Employees shall not pay any fees or other payments to the employer or agent for the purpose of being hired or as a condition of employment. No such fees shall be deducted and withheld from wages or otherwise passed on to the Employees.

The use of prison or convict labor must be consistent with laws where the merchandise is manufactured, with the laws where it is imported, and in accordance with Costco Wholesale's Global Policy on Prison Labor attached as Exhibit A.

² Adapted from International Labour Organization Worst Forms of Child Labour Convention, 1999 (No. 182)

³ Adapted from International Labour Organization Worst Forms of Child Labour Recommendation (No. 190)

⁴ Adapted from Protocol to Prevent, Suppress and Punish Trafficking in Persons Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime, 2000

⁵ Adapted from International Labour Organization Forced Labour Convention, 1930 (No. 29)

VII. ABUSE, HARASSMENT AND DISCIPLINARY ACTION

All Employees shall be treated with dignity and respect. Physical, sexual, verbal or mental abuse, coercion or threats, corporal punishment, or any form of harassment during hiring or employment is prohibited.

Written disciplinary policies and procedures and records of disciplinary actions for all Employees shall be maintained. Illegal or excessive disciplinary actions or monetary fines are prohibited.

Abusive security practices, including opposite sex frisking and removal of clothing, is prohibited.

VIII. LABOR AND EMPLOYMENT MANAGEMENT

Supplier and Facility shall comply with all Applicable Laws and Regulations including, but are not limited to, those that address: wages; working hours; discriminatory hiring and employment practices; Employees' right to associate freely; and use of foreign contract or migrant workers. Where not covered by Applicable Laws and Regulations, compliance with the following is required:

A. Terms of Employment

Where required by law, Employees shall be provided with a written employment contract outlining the terms of employment, in a language understood by the Employee.

Pregnancy or HIV tests, or birth control, shall not be required as a condition of employment.

Employees' legal status shall be verified. Only Employees with valid work authorization issued by an appropriate legal authority shall be hired.

Employee terminations shall be in full compliance with the law and copies of termination records shall be maintained.

Employees' age documentation shall be verified, and where allowed by law, copies of such documents shall be maintained for each Employee.

B. Wages and Benefits

Employees shall be paid at least the legal minimum and overtime wages for hours worked.

Wages shall be paid at least monthly or on a legally required schedule, whichever is more strict. Wages shall be paid directly to the Employee, or if the Employee has agreed otherwise, paid directly into an Employee-controlled account. An itemized wage statement for all Employees shall be provided, which, at a minimum, shall include pay period, wages earned for pay period, rate of pay, regular and overtime hours worked, deductions, and benefits.

Unless required by law, there should be no other deductions from wages.

Employees shall be provided all legally mandated benefits, including Social Security, parental leave, annual leave, sick leave and statutory holidays.

Accurate payroll and production records shall be maintained.

C. Regular Working Hours and Overtime Hours

Employees' combined regular and overtime working hours shall not exceed legal limits or 60 hours per week, whichever is more strict. Exceptions to this requirement must be in compliance with the law and only due to exceptional circumstances, such as work that is continuous in nature or in the event of an emergency. Employees shall be informed about overtime obligations prior to time of hire and in advance of the overtime shift, and be allowed to refuse to work overtime without punishment, penalty or disciplinary action. Where required by law, overtime waivers approved by appropriate legal authority must be obtained.

At least one day off in a seven-day workweek shall be provided.

Off-clock work or work taken home, except when the Facility has official home work practices approved by the appropriate legal authority, shall not be allowed.

D. Discrimination

Discrimination in hiring and employment practices based on race, color, religion, gender, age, national, social or ethnic origin, maternity, sexual orientation, gender identity or expression, political opinion, disability, marital status, or any other status or personal characteristic shall not be allowed.

Employee medical tests that can be used to discriminate in hiring or employment practices shall not be required.

E. Freedom of Association and Collective Bargaining

Employees who wish to join or not join trade unions and to bargain collectively shall not be interfered with, penalized or retaliated against. Employees shall not be discriminated against based on such associations.

F. Foreign or Migrant Employees

Foreign or migrant Employees shall: a) be employed in full compliance with the laws of the host country, including employment, labor and immigration laws; and b) not be subjected to threats of termination or deportation.

G. Grievance Mechanism

If allowed by law, an anonymous and confidential method for all Employees to raise concerns to senior level management at the Facility without fear of retaliation shall be provided. Employees' submissions and the progress of their resolution shall be tracked and recorded.

IX. HEALTH, SAFETY AND EMPLOYEE HOUSING

Supplier and Facility shall comply with all Applicable Laws and Regulations including, but not limited to, those that address the health and safety of the Employees. Where not covered by Applicable Laws and Regulations, compliance with the following is required:

A. Health and Safety Education

Employees shall be provided with written information on health and safety, and good sanitation maintenance. Health and safety notices shall be posted and updated regularly. All health and safety information shall be in language(s) understood by all Employees.

Employees who work with or are exposed to chemicals and hazardous materials shall be trained on safe handling, storage and disposal of these materials.

Employees who work with dangerous equipment shall be trained on safe operation and handling. Safety signs and manuals for all dangerous equipment shall be provided.

Employees shall be trained on evacuation procedures in case of emergency.

B. Fire Safety and Emergency Evacuation

Emergency exits shall be clearly marked, free of any obstructions, unlocked and provided with signs understood by all Employees. Emergency exits shall open in the direction of travel with a single release. Secondary emergency exits on each floor shall be provided.

Emergency exit routes shall be clearly marked with direction of travel, free of any obstructions and well-lighted at all times. Emergency exit routes shall lead to a safe assembly area. The assembly area should not be located near storage of chemicals and/or hazardous materials and equipment.

Fire extinguishers shall be located near storage of chemicals and hazardous materials and along emergency exit routes. Fire extinguishers shall be appropriate to the type of production, clearly marked, free of any obstructions and be inspected monthly or as required by law, whichever is more strict.

Emergency alarms shall be clearly marked, free of any obstructions and easy to detect in areas with high noise levels.

Evacuation plot plans shall be provided in Employee areas and along emergency exit routes.

Fire and other emergency evacuation drills shall be conducted every twelve (12) months for all Employees on every shift and floor or as required by law, whichever is more strict. Emergency evacuation shall be monitored by trained Employees.

C. Electrical Safety

Electrical panels, wiring and outlets shall be inspected at least monthly, and shall not be damaged, exposed, or pose a trip hazard.

D. First Aid and Emergency Care

Procedures shall be adopted and steps shall be taken to prevent accidents, injuries and the spread of diseases.

At least one trained first-aid personnel shall be assigned and available on every shift. In the event of serious injuries, Employees shall receive medical treatment at the nearest medical facility. These services shall be provided at no cost to the Employees, unless such Employees' health insurance coverage, if any, provides otherwise.

Fully stocked and clearly marked locations of first-aid medical supplies shall be accessible to Employees.

Eyewash stations and/or chemical showers shall be provided when required by law and/or under relevant working conditions.

All Employees shall receive legally required medical tests related to their specific occupation.

Records of Employee accidents and injuries shall be maintained, including records of investigations, and corrective and preventive actions.

E. Ventilation and Lighting

Properly ventilated work areas shall be provided, especially in all areas where painting, lacquering, spraying, or sanding is done or where chemicals or hazardous materials are used. In hot environments, sufficient fans shall be provided, and in cold environments, sufficient heating shall be provided without risk to Employee safety.

Adequate lighting in the work space for all Employees shall be provided.

F. Uniforms and Personal Protective Equipment

Uniforms and personal protective equipment, if required, shall be provided at no cost to Employees.

Personal protective equipment shall be provided to all Employees performing tasks involving painting, lacquering, spraying, sanding or application of chemicals or

hazardous materials, and to all Employees exposed to physical dangers. Personal protective equipment includes, but is not limited to: face masks, eye protection, gloves, welding masks, hard hats, safety shoes, insulated clothing and hearing protection.

G. Sanitation

Adequate and clean toilet and handwashing facilities shall be provided with running water and necessary supplies. Such facilities shall be well-lighted, ventilated, private and separated by gender.

H. Drinking Water

Safe drinking water shall be provided that is easily accessible to all Employees at all times. There shall be no restrictions on drinking water.

I. Employee Housing

Employee housing shall be separate from production and distribution areas, and shall comply with all Applicable Laws and Regulations.

All Employees shall have their own beds and bedding provided at no cost. Sleeping areas for unmarried Employees shall be separated by gender. All Employees shall have access to safe drinking water, hot water, and toilets that are separated by gender and private.

While reasonable rules, regulations and curfews may be necessary for the safety and comfort of Employees, Employees shall be free to leave the Facility grounds during non working hours. Where curfews apply and are allowed by law, Employees shall be notified of the curfew and instructed on safety risks in and around Employee housing. Foreign or migrant Employees shall not be subject to lockin/lockout policies.

J. Food Preparation Areas

When meals are provided to Employees, all food preparation and canteen areas shall comply with all Applicable Laws and Regulations that address sanitation and health and safety.

K. Meals

When meals are provided per the employment contract, a minimum of three meals that meet or exceed the basic nutritional requirements per day shall be provided at no cost to the Employee or, at a minimum, at a subsidized cost.

L. Services

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

M. Children in the Work Place

Individuals under the age of 18 who are not working at the Facility shall not be in the production areas.

X. ENVIRONMENTAL MANAGEMENT

In manufacturing and processing operations, adverse impacts upon the community, environment and natural resources shall be minimized while safeguarding the health and safety of the public.

Supplier and Facility shall comply with all Applicable Laws and Regulations that address the environment. Where not covered by Applicable Laws and Regulations, compliance with the following is required:

A. Handling and Disposal of Hazardous Waste

All chemicals and hazardous materials, including wastewater and solid waste generated from operations, shall be handled and disposed of using environmentally responsible practices. In the event that hazardous or polluting materials are discharged improperly, appropriate authorities shall be notified and immediate action shall be taken to correct and remediate.

B. Use of Ozone-Depleting Chemicals

To improve the air quality when using chemicals and hazardous materials, the elimination of ozone depleting chemicals (ODCs) during the manufacturing process is strongly encouraged.

C. Recycling

Recycling is strongly encouraged.

XI. MANAGEMENT SYSTEMS

Policies and procedures shall be implemented, and management shall identify a person or persons at the Facility or work site to be responsible for monitoring and implementing, practices to comply with all Applicable Laws and Regulations and the Supplier Code of Conduct.

XII. FACILITY AUDITS

Costco reserves the right to audit or authorize a third party to audit any Facility that participates in the production, processing or harvesting of Merchandise for Costco. Such audits may include any 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 that will allow for a comprehensive Supplier Code of Conduct audit to be conducted, including an opportunity for confidential and private interviews with Facility's Employees

selected by the auditor. Prior coaching of interviewees is not allowed, nor is any retaliation against any Employee or auditor.

The audit shall be at the Supplier's expense.

Costco's interpretation of this Code and of any auditor's report is binding and conclusive. Upon review of audit results, Costco, in its sole discretion, may terminate its relationship with a Supplier and/or Facility, cancel a purchase order or contract, 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.

In general, Costco prefers to work with the Supplier and/or Facility to correct Code violations rather than apply sanctions that may cause further hardship to workers and their families who depend upon the employment.

XIII. AUDIT ETHICS

The highest standards of integrity are expected in all aspects of the audit process. Costco expects full transparency from the Facility during the audit process, i.e., accurate and honest disclosure of all Employees, Facility, Subcontractor, Home Worker, labor, employment, health and safety, and environmental documentation and information. Any and all forms of bribery, corruption, deception and falsification of records are strictly prohibited. Any such finding may result in the termination of the business relationship.

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 will result in the termination of the business relationship with the Supplier and/or Facility, or service agency.

Retaliation or penalty against any person who in good faith reports unlawful or inappropriate activity related to this Supplier Code of Conduct and/or the audit process may result in termination of the business relationship.

XIV. CONSEQUENCES OF CODE VIOLATIONS

A. Critical Violations

Definition: Findings of any of the following:

1. Illegal child labor
2. Forced, bonded, indentured, slave and illegal prison or convict labor, and human trafficking
3. Physical or sexual abuse
4. Bribery or attempted bribery
5. Health and safety conditions posing immediate risk to life and limb
6. Corruption, deception or falsification of records

Failure to follow Applicable Laws and Regulations that address the payment of minimum wage, overtime wage, timely wage payments, and failure to provide rest days may also be considered Critical Violations.

Actions Required:

All Critical Violations must cease immediately. Within 48 hours of notification to the Supplier of a Critical Violation, a detailed and proactive corrective action plan, addressing all Critical Violations shall be submitted to Costco.

Consequences:

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

Where a Supplier's Facility is cited with a second Critical Violation, or where a Supplier has contracted with a second Facility cited with a Critical Violation, Costco reserves the right to interrupt or terminate the business relationship.

B. Other Violations

Definition: Findings of the failure to comply with Applicable Laws and Regulations.

Actions Required:

The violating Supplier or Facility must present a detailed corrective action plan that includes a time frame for correcting each audit concern. Costco will review and approve the corrective 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.

Consequences:

If continuous improvement and eventual full compliance are not achieved within a reasonable time frame, Costco may terminate the business relationship with the Supplier or Facility. If the business relationship has been terminated, Costco may consider resuming business with the Supplier or Facility only after an audit satisfactory to Costco has been completed. A plan for sustainable improvement may be required.

C. Unauthorized Subcontracting Definition:

See Page 1, Section II of this document under DEFINITIONS.

Consequences:

Unauthorized Subcontracting, whether by the Supplier or Facility, may result in the termination of Costco's contractual relationship with the violating Supplier and/or Facility, cancellation of orders, suspension of the business relationship, and/or the indemnification of costs associated with the unauthorized activity.

XV. Confidential Ethics Hotline

A global confidential ethics hotline is available as a part of Costco's continuing efforts to ensure compliance with our Code of Ethics, our Supplier Code of Conduct, and other legal and ethical [policies: www.costco.ethicspoint.com](http://www.costco.ethicspoint.com).

This is a confidential tool available for use by anyone who has reason to believe a Costco Employee, Supplier or Subcontractor is in violation of these policies. (Transactional issues, such as deliveries, payments or other related items should not be addressed through this channel.)

Costco encourages reports of possible violations of policy and other misconduct, including violations of the Supplier Code of Conduct.

The hotline also allows Suppliers to raise issues involving personal misconduct by Costco Employees or Employees of Costco Suppliers, including:

- Conflicts of interest;
- Gifts, favors, entertainment, and other payments;
- Confidential information;
- Political contributions; and
- Discrimination and sexual harassment.

Contacts can be made confidentially. Reports will go the Office of the General Counsel and the Chief Compliance Officer, who will investigate and discuss with the appropriate senior executive officer.

Exhibit A to Costco Wholesale Supplier Code of Conduct

COSTCO WHOLESALE'S GLOBAL POLICY ON PRISON LABOR

Costco allows suppliers to use legal prison labor, to support rehabilitation and restitution, under the following conditions:

MERCHANDISE PRODUCED FOR DOMESTIC USE

1. The use of prison or convict labor must be in compliance with the laws where the merchandise is manufactured or processed.
2. Prison or convict labor means work performed by incarcerated persons at public or private correctional facilities, off-site public or private work facilities or under work-release programs.
3. Costco Wholesale's Code of Conduct requirements apply in full to all persons regardless of their status.
4. The person voluntarily consents to work under the terms and conditions offered, including compensation.
5. The person's gross wage paid shall be the same wage as a non-incarcerated person for the same type of work in the same geographic area. Any deductions from gross wages, whether by the employer or the facility, must be no more than allowed by law.
6. Third-party audits must be able to verify compliance with the above requirements.
7. Assuming that the requirements of 1-6 above are met, the products may be purchased for sale in the country where the product is manufactured or processed.

MERCHANDISE PRODUCED FOR EXPORT

8. If the merchandise is to be exported into a country other than where manufactured or processed: (a) the laws of the exporting country must allow its export; (b) the laws of the importing country must permit importation; and (c) the labor must meet the requirements of 1-6 above.
 - 8.1 Costco U.S. and Costco Canada cannot import any merchandise made with prison or convict labor, even if legal in the country of production.
9. No country may sell products made in China with prison labor.