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## *Costco Annual Statement Regarding Human Trafficking and Anti-Slavery*

This is the annual statement of Costco Wholesale UK Limited and Costco UK Online Limited (collectively, Costco UK) in respect of their financial year ending 31 August 2016.

Costco UK is a part of an international group headquartered in the United States ("Costco"). A significant part of our merchandise, including many private label products, is sourced by our US parent company. Costco has adopted global policies to promote the welfare of workers in its supply chains. Costco UK utilizes Costco's centralised compliance function to handle the audit functions referred to in this Statement.

Costco has a supplier Code of Conduct that prohibits human rights abuses in its supply chain. Human trafficking, physical abuse of workers, restricting workers' freedom of movement, confiscation of passports and worker documentation, unsafe work environments, failure to pay adequate wages, excessive and/or forced overtime, and illegal child labour are among the practices prohibited by the Code. Costco's suppliers of record contractually agree to follow the Code, and to ensure that their sub-suppliers also comply. Costco may acknowledge and accept a supplier's code as equivalent to Costco's Code.

To evaluate compliance, Costco arranges for the audit of certain facilities of selected suppliers, with an emphasis on suppliers of private label merchandise and merchandise from high risk jurisdictions and industries. Audits are performed by independent third-parties who specialise in social responsibility audits. While Costco retains the right to conduct unannounced audits, some notice is generally given to comply with security concerns and to allow the supplier to collect records for audit. Costco also participates in industry initiatives focused on human rights issues and concerns, such as the Equitable Food Initiative, the Alliance for Bangladesh Worker Safety, and the Seafood Sustainable Supply Chain Task Force. In financial year 2016, Costco completed over 2,500 facility audits, inclusive of suppliers who supply our operations around the world.

Costco responds to violations of its Code of Conduct in a manner commensurate with the nature and extent of the violation. "Critical violations" are considered serious enough to require immediate and decisive remedial action and may result in the termination of the business relationship. For less serious violations, Costco allows the supplier reasonable time to develop and implement a plan for remediation. Costco conducts follow-up audits to monitor progress.

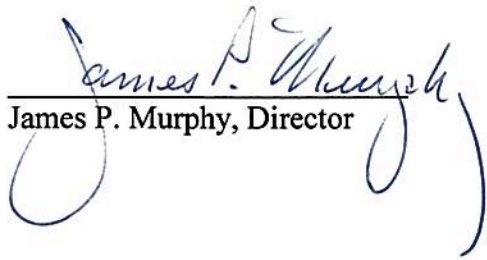
In general, Costco prefers working with the supplier to correct violations. Termination is unlikely to correct the underlying issue and may cause further hardship to workers and their families. Failure to make satisfactory progress toward improvement will lead to termination.

Members of Costco's buying team who manage supplier relationships are provided with in-person training. The training covers the Code of Conduct and its importance to Costco's business and to the workers who produce the merchandise we sell.

Costco encourages anyone who is aware of violations of the law or its Code to notify their management, Costco's Code of Conduct Compliance team or utilize Costco's whistleblower site:  
[www.costco.ethicspoint.com](http://www.costco.ethicspoint.com).

Costco's business practices align with UK employment laws.

COSTCO WHOLESALE UK LIMITED  
COSTCO ONLINE UK LIMITED

  
James P. Murphy, Director