



Costco Wholesale Australia, Pty. Ltd.
Modern Slavery Statement

STATEMENT COVERAGE

This Modern Slavery Statement (“Statement”) is made by Costco Wholesale Australia, Pty. Ltd. (“Costco Australia”) for the purposes of the *Modern Slavery Act 2018* (Cth) and covers its financial year ending on 31 August 2022.

Costco Australia does not own or control any other entities in Australia.

INTRODUCTION

Costco Australia is a part of Costco Wholesale Corporation (“Costco”), an international group headquartered in the United States. A significant part of our merchandise, including many private label products (Kirkland Signature™), is sourced by Costco. Costco Australia utilises Costco’s centralised compliance function to handle supply chain human rights due diligence.

As a retailer with more than 300,000 employees worldwide, and operations, logistics and merchandise supply chains spanning the globe, we recognise our impact on the human rights of individuals directly and indirectly related to our business. We have adopted policies and procedures around key human rights that are guided by our Code of Ethics and substantially aligned with such international instruments as the [United Nations Guiding Principles \(UNGPs\) on Business and Human Rights](#); the [International Bill of Human Rights](#); and the [International Labour Organization’s Declaration on Fundamental Principles and Rights at Work](#). Employee rights are managed by senior management for each business unit. Supply-chain programs are overseen by the head of Global Sustainability & Compliance, who reports directly to Costco’s CEO and regularly engages the executive team and the Board of Directors on our human rights due-diligence.

For further details to supplement the information provided below, please review the Human Rights page of our [Sustainability Commitment](#).

BUSINESS OPERATIONS

As of the end of our fiscal 2022, Costco operated 838 warehouses globally. Costco also operates e-commerce sites in the U.S., Canada, the United Kingdom, Mexico, Korea, Taiwan, Japan, and Australia.

Warehouses:

Warehouse Locations	Warehouse Count
United States and Puerto Rico	578
Canada	107
Mexico	40
Japan	31
United Kingdom	29
Korea	17
Taiwan	14
Australia	13
Spain	4
France	2
China	2
Iceland	1

SUPPLY CHAIN POLICY RELATED TO SLAVERY AND HUMAN TRAFFICKING

Costco has a Supplier Code of Conduct (the “Code”), which prohibits human rights abuses in its supply chain. To align with international standards, the Code is derived in substantial part from the policies, standards, and conventions of the United Nations and the International Labour Organization, as well as other leading independent standards, such as the Responsible Business Alliance and Worldwide Responsible Accredited Production. Where any applicable laws and regulations are absent, or exceeded by the Code, Costco expects its suppliers to uphold the higher standard. Practices such as human trafficking, abuse, harassment, bribery or attempted bribery, restricting freedom of movement, confiscation of passports and other documentation, unsafe work environments, failure to pay adequate wages, excessive or forced overtime, illegal child labour, and many other aspects of worker welfare are addressed by the Code. This Code is global in its scope and applies to all suppliers, their facilities and

their sub-suppliers. By signing Costco's supplier agreement, the supplier warrants compliance with the Code. Occasionally we accept a supplier's code as equivalent to our Code.

SUPPLY CHAIN RISK ASSESSMENT & STAKEHOLDER ENGAGEMENT

Due to the number of suppliers, the frequent rotation of suppliers and their geographic dispersion, it is necessary to be strategic and selective with our efforts to mitigate human rights risks, while supporting those most vulnerable in our supply chains. This risk-based approach is informed, in part, by internal expertise from our buying/sourcing, sustainability and compliance teams, as well as frequent consultation with external stakeholders who have significant experience on the ground in supply chains. Additionally, we consider prior audit performance and data analytics from a third-party platform that analyzes political, human rights, economic and environmental risk indices. This work has helped us to identify risks and to build programs and initiatives (varying by industry and geography) to support the livelihoods of smallholder farmers, mitigate the risks of child and forced labour, and strengthen our merchandising sourcing practices. Examples of these programs can be found on the Human Rights page of our [Sustainability Commitment](#).

Likewise, this risk assessment process informs our targeting of audits of supplier facilities against the Code standards. We prioritize suppliers of Kirkland Signature™ merchandise and suppliers whose product or country of origin poses an increased risk.

DUE DILIGENCE PROCESSES

Verification of Compliance:

In our fiscal 2022, 5,305 independent third-party audits were conducted in 87 countries, primarily at the final manufacturer or processor level of the supply chain. For facilities at this level considered intermediate to high risk, audits are initially required at least annually and more frequently if actions to correct Code violations require onsite verification. For suppliers that are in full compliance, subsequent audits may be less frequent.

Of the 5,305 independent third-party audits conducted, 3,964 were conducted against the Code's standards. For facilities considered intermediate to high risk, these audits are carried out on a partially announced basis, providing the facility with a two-week window of when the audit may take place. This limited notice is to take the facility's security measures into consideration and to allow the supplier to collect records that are reviewed during the audit. Fully unannounced audits are carried out on occasion, typically in response to tips received through our confidential ethics hotline. Audits include the workplace where production takes place and onsite worker housing.

Many of our suppliers have programs to verify compliance with their own codes of conduct or with independent compliance audit standards. Upon review of the program and standards applied, Costco may accept these reports in lieu of audits against our Code. These audits make up the remaining 1,341 reports accepted in FY22. Acceptance depends on a variety of factors, such as industry and geographic risks for human rights violations and prior audit history.

With very few exceptions (which require Costco's approval), all audits are required to be conducted by a member of the Association of Professional Social Compliance Auditors (APSCA). As an industry association whose members represent a substantial majority of the Social Compliance audit industry, APSCA seeks to enhance the professionalism, consistency and credibility of independent social compliance auditors.

Remediation:

Below are a variety of ways we support suppliers, facilities and workers in our supply chain to remediate or mitigate concerns raised through audits or other means:

Corrective Action Plans (CAP). We recognize some suppliers will need assistance with compliance. For any supplier with an audit that reveals the need for improvement, Costco requires a CAP that includes a time frame for correcting each violation and often on-site re-audits to verify progress. Costco also offers access to capacity-building services that improve management systems to address the causes of violations and support the supplier's CAP completion.

eLearning Lessons. Starting in FY22, Costco partnered with Elevate to offer eLearning video lessons. These web-based lessons (often in the local language) are designed to educate suppliers and their facilities on human rights-related topics and provide guidance on correcting critical, low performance and intermediate violations. The lessons give Costco suppliers tools to improve. In FY22, 7,518 lessons were completed by suppliers and/or their facilities. The most frequently used lessons cover Fire Safety, Working Hours and Health & Safety. Initial findings indicate that these lessons have been helpful and upon re-audit, many facilities improved their audit scores.

Confidential Ethics Hotline. We have a global confidential ethics hotline to promote and monitor compliance with our Code of Ethics, our Supplier Code of Conduct, and other legal and ethical policies: www.costco.ethicspoint.com. When we receive inquiries, we investigate appropriately. Depending upon the issue, we may work with suppliers directly or conduct independent third-party audits and take appropriate remedial action.

To raise awareness of these efforts, we shared aggregate audit results and other updates related to the Code at our annual Supplier Day event in the fall of 2022.

ASSESSING THE EFFECTIVENESS OF OUR ACTIONS

Costco's audit program, including the requirements for corrective action plans and follow-up audits, is essential for identifying and remediating indicators of forced labour and modern slavery.

Because of the size and complexity of the Costco business, our evaluation of compliance is intentionally selective. We continue to learn about the risks associated with modern slavery in our supply chains and to enhance our policies and programs. We recognise that social compliance audits alone will not fully address these complex issues. For these reasons, Costco has joined multiple efforts to help improve the working conditions of people within our supply chains, including multi-stakeholder initiatives such as the Seafood Task Force, the Equitable Food Initiative, the Responsible Sourcing Network, CIERTO, the Responsible Labor Initiative, Nirapon and the Responsible Minerals Initiative. We also use these engagements to periodically assess the effectiveness of our requirements and processes to and benchmark our Code and due diligence efforts more broadly.

COVID-19

We continue to seek to mitigate the impacts of COVID-19 on workers in our supply chains. Where circumstances have restricted the ability to conduct independent on-site audits, we offer suppliers a self-assessment (including a remote review of documentation) and worker survey. This is to further the safety and security of our suppliers' workers and that of the auditors.

EMPLOYEE TRAINING & ENGAGEMENT

We focus on educating our employees with buying responsibilities on the importance of the Code and their role in supporting it, through updated virtual training and in-person presentations.

In FY22, Costco employees responsible for the day-to-day management of the Code's facility audit program underwent a two-day training conducted by staff from the Worldwide Responsible Accredited Production (WRAP). In addition to covering WRAP's 12 Principles, the training offered examples of practical challenges faced by auditors, as well as raised employees' awareness of the following: ILO Forced Labour indicators; the UNGPs on Business and Human Rights; the 17 UN's Sustainable Development Goals; and various due-diligence laws and regulations from around the world.

Costco has considered the potential risks arising in relation to Costco Australia operations in Australia, as well as in supply chains. Costco Australia directly employs a very high proportion of its Australian workforce and is committed to observance of Australian employment laws. Outside service providers are contractually required to comply with Australian employment law.

We encourage anyone who is aware of violations of the law or our Code to notify their management, our Code of Conduct Compliance team, or utilise Costco's confidential reporting site:
www.costco.ethicspoint.com.

This Statement was Approved by the Board of Directors of Costco Wholesale Australia, Pty. Ltd. as of January 24, 2023.

COSTCO WHOLESALE AUSTRALIA, PTY. LTD.

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

By:

Patrick Noone, Managing Director

Statements contained in this document are aspirational and relate to the manner in which the Company currently intends to conduct certain of its activities, based on management's current plans and expectations. These statements are not promises, guarantees, or statements on which you should rely with respect to the Company's conduct or policies, and are subject to a variety of risks and uncertainties, some of which may be material and/or beyond the Company's control. Forward-looking statements speak only as of the date they are made, and the Company does not undertake to update these statements, except as required by law.