



## **Costco Wholesale Australia, Pty. Ltd. Modern Slavery Statement**

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 2020.

### **About Costco Australia**

Costco Australia operates as an integrated part of an international group headquartered in the United States of America and headed by Costco Australia's parent company, Costco Wholesale Corporation (**Costco**). Costco is a membership-based retail business that operates warehouses in twelve regions/countries and e-commerce sites in eight countries, offering its members a wide range of merchandise, as well as services and specialty departments.

Costco Australia currently operates twelve warehouses and an e-commerce site and employs approximately 3,700 people in Australia. Products and services offered in Australia by Costco Australia include grocery and household products, clothing, appliances, office equipment and supplies, electronics, home and outdoor products, as well as optical, hearing aid, fuel and tyre products and services.

A significant part of Costco Australia's merchandise, including many private label products, is sourced by and through Costco. Costco Australia otherwise sources merchandise both locally and internationally.

Costco Australia has considered the risks arising in relation to its operations, as well as risks connected with product supply chains. A very high proportion of Costco Australia's workforce is directly employed by Costco Australia, and Costco Australia is committed to observance of Australian employment laws. Where Costco Australia relies on external service providers in relation to staffing, those providers are required to comply with Australian employment laws.

This Statement addresses the actions taken to assess and address the risks of modern slavery practices in the operations and supply chains of Costco Australia, and how we assess the effectiveness of our actions.

### **Costco's Supplier Code of Conduct**

Costco has implemented policies and procedures across its global business to promote the welfare of people throughout its supply chains. These policies and procedures are overseen by Costco's department of Global Sustainability and Compliance, which reports directly to the company's Chief Executive Officer. Costco Australia leverages these extensive and centralised compliance

management processes, with the only exception being Costco Australia's direct management of these processes for their fresh meat and produce suppliers located in Australia.

- Costco requires all merchandise suppliers to adhere to a global Supplier Code of Conduct (**Code**). The Code is global in its scope, and applies to all suppliers and their facilities, as well as Costco's manufacturing facilities. The Code prohibits Costco's suppliers from engaging in human rights contraventions in Costco's supply chain.

The Code is structured to align with international standards and is derived from the policies, standards, and conventions of the United Nations (UN) and the International Labour Organization (ILO), as well as other leading independent standards such as the Responsible Business Alliance (RBA) and Worldwide Responsible Accredited Production (WRAP). Practices such as human trafficking, forced labour, physical abuse, 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.

Each supplier contract between Costco Australia or Costco and a supplier imposes contractual obligations on the supplier (and any sub-suppliers) to comply with the Code and otherwise comply with all applicable laws. If appropriate in the circumstances, we may acknowledge and accept a supplier's code as equivalent to our Code.

#### **Costco's risk-based approach to Code compliance measures**

Due to the large number of suppliers, the frequent rotation of suppliers and their geographic dispersion and in order to effectively apply our auditing efforts and maximize our compliance assessment activities in respect of the Code, Costco takes a risk-based approach to Code compliance monitoring. The approach is informed by risk-indices including the US Department of Labor's List of Goods Produced by Child Labor or Forced Labor, the US State Department's Trafficking in Persons Report, and The World Bank's Worldwide Governance Indicators. In addition, we have partnered with Verisk Maplecroft, a global risk analytics provider, to assess risks in our supply chain in light of other risk indices.

#### **Costco's auditing activities**

Costco, with the assistance of Costco Australia, commissions audits of facilities of selected suppliers, with an emphasis on suppliers of private label merchandise and suppliers whose product or country of origin may pose an increased risk.

These audits are performed on Costco's behalf by independent third-party auditors with specialised expertise in social responsibility audits. Costco only utilises auditors who are members of the Association of Professional Social Compliance Auditors (APSCA), who must comply with its Code and Standards of Professional Conduct.

During its 2020 financial year, Costco completed over 4,200 facility audits, inclusive of suppliers who supply Costco operations around the world. For suppliers that are considered to be intermediate to high risk, audits are required annually (or more frequently if corrective actions to Code violations require onsite verification).



Audits reveal that some suppliers will need assistance to come into full compliance with our Code. For them, Costco requires Corrective Action Plans, followed by re-audits. Costco also offers other capacity-building services that seek to improve management systems and address root causes of failures. Costco generally prefers to work with suppliers and their facilities to correct Code violations rather than apply sanctions (such as termination) that may cause hardship to workers and their families. Depending on the severity or lack of remediation, we reserve the right to terminate our relationship and/or purchase order(s) with a supplier and/or their facility and have done so.

We recognise that, because of the size and complexity of the Costco business, Costco's evaluation of compliance cannot be exhaustive, and we continue to learn about the risks associated with modern slavery in our supply chains and to develop and refine our systems. Additionally, Costco recognizes that social compliance audits alone will not fully address the complex issues in global supply chains. 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. Each of these valuable initiatives and organizations solicits input from civil society organizations, which helps to ensure the credibility and effectiveness of the particular effort. We also use these engagements to discuss and benchmark our Code and due diligence efforts more broadly. We refer you to our Global Sustainability Commitment for further details on each of these efforts and initiatives:  
<https://www.costco.com/sustainability-human-rights.html>

### **Covid-19**

In 2020, Costco incorporated a COVID-19 Preparedness Observations Checklist into each of its on-site audits. This checklist is to educate suppliers on best practices for protecting their workforce in light of Covid-19, as well as to assess suppliers' compliance with our guidance. Additionally, where circumstances have restricted our ability to conduct onsite audits, we have adapted the audit processes including (where appropriate) by permitting suppliers to self-assess (in which case we review documentation remotely) and survey workers. This measure is intended to promote the safety and security of our suppliers' and auditors' personnel.

### **Employee engagement and ethics hotline**

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

Costco has implemented a global, confidential ethics hotline that allows any member, employee or supplier, worldwide, to report (by phone or in writing) any suspected contravention of the Code (or any of Costco's legal and ethical policies) committed by Costco or by a supplier: [www.costco.ethicspoint.com](http://www.costco.ethicspoint.com). The reports we receive through this line of communication provide us with insight into possible concerns that may exist in our supply chain and to evaluate and assess the impact that our auditing activities are having on issues related to the welfare of Costco and our suppliers' workforces. Reports submitted via this hotline are received directly by Costco's Office of the General Counsel and the Chief Compliance Officer. Depending upon the issue, we may work with suppliers directly, conduct independent third-party audits and/or may terminate our relationship with suppliers if appropriate remedial action is not taken.

For further details on the above policies and programs, including a copy of our Supplier Code of Conduct, please review the Human Rights page of Costco's Sustainability Commitment: <https://www.costco.com/sustainability-human-rights.html>

This Statement was approved by the Board of Directors of Costco Wholesale Australia, Pty. Ltd. effective February 16, 2021.

COSTCO WHOLESALE AUSTRALIA, PTY. LTD.

By:  \_\_\_\_\_  
Patrick Noone, Managing Director

Dated: 22 Feb 2021