



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 2021.

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

INTRODUCTION

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

As a retailer with more than 288,000 employees worldwide, approximately 4,147 employees in Australia (including seasonal employees), and a merchandise supply chain spanning the globe, we recognise the impact we can have on human rights. We have adopted policies and procedures around key human rights topics, guided by our Code of Ethics. Our employee-related rights are overseen and managed by senior management for each business unit. Our work in supply chain-related human rights is overseen by the head of Global Sustainability & Compliance, who reports directly to Costco’s CEO.

BUSINESS OPERATIONS

As of the end of our fiscal 2021, Costco operated 815 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 | 564 |
| Canada | 105 |

| | |
|----------------|----|
| Mexico | 39 |
| Japan | 30 |
| United Kingdom | 29 |
| Korea | 16 |
| Taiwan | 14 |
| Australia | 13 |
| Spain | 3 |
| Iceland | 1 |
| France | 1 |
| China | 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. This Code is global in its scope and applies to all suppliers and their facilities, as well as our manufacturing facilities. It 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. Practices such as human trafficking, 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. By signing Costco’s supplier agreement, the supplier warrants compliance with the Code, including by its sub-suppliers. We may acknowledge and accept a supplier’s code as equivalent to our Code.

SUPPLY CHAIN RISK ASSESSMENT

Due to the number of suppliers, the frequent rotation of suppliers, and their geographic dispersion, it is impractical to audit on an ongoing basis to confirm that all suppliers and their supply chains are in compliance with all aspects of our Code. Accordingly, we follow a risk-based approach with respect to targeting audits and otherwise seeking to confirm compliance. The approach is based upon several factors, including prior audit performance and the following indices:

- U.S. Department of Labor List of Goods Produced by Child Labor or Forced Labor

- U.S. State Department Trafficking in Persons Report
- World Bank World Governance Indicators

We emphasize auditing suppliers of Kirkland Signature™ merchandise and suppliers whose product or country of origin poses an increased risk.

To support our risk assessment, we partnered with Verisk Maplecroft to analyse our supply chain data with various political, human rights, economic and environmental risk indices as they apply to our supply chains. This helps us direct limited resources to the areas of highest social and environmental risks.

DUE DILIGENCE PROCESSES

In our fiscal 2021, over 4,500 independent third-party audits were conducted. For facilities 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. 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 amount of advanced 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 by our confidential ethics hotline. Audits include both the workplace where production takes place, as well as any onsite worker housing.

Costco requires audits 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 those performing independent social compliance audits.

We recognize there is room for continuous improvement and that some suppliers will need assistance with compliance. For suppliers with violations, Costco requires corrective action plans, and often re-audits to determine progress. Costco also offers other capacity-building services that seek to improve management systems to address the causes of previous violations of the Code, including eLearning video courses (in the local language), which correlate to the violations cited. Ultimately, Costco prefers to work with suppliers and their facilities to correct Code violations rather than apply sanctions that may cause hardship to workers and their families. Depending on the severity or lack of remediation, however, we reserve the right to terminate our relationship or particular transactions with a supplier. These terminations have occurred infrequently.

In addition to audits to verify compliance with our Code, we also have dedicated programs and initiatives, which vary by industry and geography, to support the livelihoods of smallholder farmers, mitigate the risks of child and forced labour, and strengthen our broader sustainability efforts. Some of these efforts involve addressing the unethical recruitment of workers, which is a leading cause of forced labour and

human trafficking. Examples of these programs can be found in the [Merchandising](#) and [Human Rights](#) sections of our [Sustainability Commitment](#).

ASSESSING THE EFFECTIVENESS OF OUR ACTIONS

Costco's audit program, which includes requiring corrective action plans to address violations, as well as follow-up audits when appropriate, is important for identifying and remediating indicators of forced labour and modern slavery.

Because of the size and complexity of the Costco business and the rotating nature of our merchandise selection, our evaluation of compliance is selective. We continue to learn about the risks associated with modern slavery in our supply chains and to enhance our systems. We recognise 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. We also use the engagements with members of these initiatives to continually assess the effectiveness of our requirements and processes, by discussing and benchmarking our Code and due diligence efforts more broadly. We refer you to our Sustainability Commitment for further details on each of these efforts and initiatives.

Costco maintains a global confidential ethics hotline that allows any person worldwide, to report (by phone, internet 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. Reports we receive through this line of communication can raise possible concerns that may exist in our supply chain. 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 may terminate our relationship with suppliers if appropriate remedial action is not taken.

COVID-19

We seek to mitigate the impacts of COVID-19 on workers in our supply chains. With regard to worker safety, in fiscal 2020 we incorporated a COVID-19 Preparedness Observations Checklist in each of our on-site audits, which continues in use. This has helped educate suppliers on best practices for protecting their workforce and assess suppliers' alignment with that guidance. 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 ENGAGEMENT

In 2021, Costco continued our programs to educate our employees with relevant responsibilities on the importance of our Code through updated virtual training and in-person presentations to review our Code requirements.

Costco has considered the possibility of risks arising in relation to Costco Australia operations in Australia, as well as risks connected with product supply chains. Costco Australia directly employs a very high proportion of its Australian workforce and is committed to observance of Australian employment laws. In those cases where Costco Australia relies on outside service providers, they 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.

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 our 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. on 15 February 2022.

COSTCO WHOLESALE AUSTRALIA, PTY. LTD

By:

Patrick Noone, Managing Director

Dated:

15/ Feb 2022

