

OUR PLEDGE CONCERNING COTTON

Joining many of our existing suppliers and other retailers, Costco Wholesale in 2015 signed the pledge promoted by the Responsible Sourcing Network (RSN) concerning forced labor and cotton. Under the pledge, we affirm that we are working to ensure that cotton produced by child and adult forced labor does not find its way into our Kirkland Signature (KS) items. We are aware of reports documenting the systemic use of child and adult forced labor in the harvest of cotton in Uzbekistan, and therefore, continue to support the RSN to raise awareness of this very serious concern and press for its elimination.

As a signatory to this pledge, we are stating our firm opposition to the use of child and adult forced labor in the harvest of Uzbek cotton. We commit to not knowingly source Uzbek cotton for the manufacturing of any of our KS items until the Government of Uzbekistan ends the practice of forced child and adult labor in its cotton sector. Until that result is independently verified by the International Labor Organization, we will maintain this pledge.

Because of similar concerns about cotton harvesting practices in Turkmenistan, we also commit to not knowingly source Turkmenistan cotton for the manufacturing of any of our KS items.

To support these objectives, we send KS suppliers a letter from our Executive Vice President of Merchandising that expresses our commitment to the RSN Pledge and encourages the supplier to sign the pledge. We obtain return confirmation. We also are requiring each KS supplier: to document the country of origin for all cotton items supplied to Costco; to comply with our Cotton Traceability Policy; and encouraging the supplier to communicate our commitment and expectations to its suppliers, mills and factories.

We participate in the RSN's Economic Leverage Working Group on Uzbek Cotton. This multi-stakeholder network convenes quarterly to share knowledge of activities supporting the RSN's mission. Through our membership in the Retail Industry Leaders Association, we have supported and encouraged the U.S. government to press the Uzbek government to end the use of state-sponsored forced labor. More information is available at <http://www.sourcingnetwork.org/cotton/>.

December 2016