

Costco Responds to Shareholder Proposal and Reduces Likelihood of Slave Labor Used in Kirkland Signature Brand Clothing

SAN JOSE, California – January 29, 2016 – Costco agreed to increase transparency in its cotton supply chain in response to a shareholder proposal concerning forced and slave labor submitted prior to today’s annual shareholder meeting. As shareholders seek alignment between their values and those of the companies in which they invest, the shareholder proposal allows a shareholder to express concerns to corporate executives and fellow shareholders.

Costco consented to follow best practices in its cotton sourcing by agreeing to sign the Responsible Sourcing Network’s (RSN) Cotton Pledge, which states:

We, the undersigned companies are working to ensure that child and adult forced labor does not find its way into our products. We are aware of reports documenting the systemic use of child and adult forced labor in the harvest of cotton in Uzbekistan. We are collaborating with a multi-stakeholder coalition 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 products until the Government of Uzbekistan ends the practice of forced child and adult labor in its cotton sector. Until the elimination of this practice is independently verified by the International Labor Organization, we will maintain this pledge.

In addition, Costco agreed to pursue the five “Next Steps” associated with the pledge as outlined below:

- 1) Align Business Practices with the Commitment
- 2) Collect Country of Origin (COO) Documentation for all Cotton Products and Textiles
- 3) Involve Yarn and Textile Mills
- 4) Engage the Uzbek Government
- 5) Join RSN’s Economic Leverage Working Group on Uzbek Cotton

The shareholder proposal was filed by Dr. Ron Roman, a Costco shareholder and lecturer in Corporate Responsibility and Sustainability at San Jose State University. “Costco is a progressive company in many respects and by taking these steps, the company reduces the possibility of forced labor in its cotton supply chain and it decreases its reputational risk,” states Roman. “This is a win for shareholders and customers, not to mention any laborers who may have been forced to harvest or weave cotton or assemble clothing for Kirkland Signature brand clothing.”

It is likely Costco was not using forced labor in its cotton supply chain, but without transparent practices and active inquiry, it is not possible to know that is true. Consumers today increasingly demand transparency and this agreement moves Costco toward greater openness.

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