

SEAFOOD AND SUSTAINABILITY

1. In 2009, in our first Corporate Sustainability Report, we publicly identified some objectives of our seafood sourcing policy:

- Continually supply sustainable seafood products from either wild fisheries or farmed aquaculture sources that can be managed in ways that meet current needs without compromising availability of scarce resources for future generations.
- Considerations must be given to: condition of fish stocks (biomass); protection of and respect for the marine ecosystem; governmental and regulatory agency guidelines; and practices that will mitigate or limit environmental impacts associated with aquaculture.

2. As science and industry practices advance, we continue to refine these global policies:

A. We do not sell certain wild species that have been nearly universally identified as at great risk, unless our sources are certified as sustainable by the Marine Stewardship Council (MSC). <http://www.msc.org>. MSC identifies itself as "the world's leading certification and ecolabelling program for sustainable seafood." Those species are: Atlantic cod; Atlantic halibut; Chilean sea bass; Greenland halibut; grouper (*Epinephelus morio*); monkfish (*Iopius americanus*); orange roughy; redfish; shark; skates and rays; swordfish; and bluefin tuna. If we determine in the future to rely on other certifying organizations relative to sale of these species we will disclose their identity. If we rely on the certification of a third-party organization concerning sale of the species listed above, the packaging will disclose that certification. Moving forward, we will carefully examine whether there are other species that we should cease to sell because of a consensus around documented concerns that the species are at great risk.

B. Fishery Improvement Projects. We are working with World Wildlife Fund and Sustainable Fisheries Partnership on Fishery Improvement Projects for select species. An FIP is an alliance of stakeholders – retailers, processors, producers, and/or catchers – that work to resolve problems within a specific fishery or improve some specific aspect of the fishery that requires attention. The FIP works through key organizations and individuals, talking through the management of the fishery and the challenges that it may face, identifying data that needs to be collected, agreeing on a set of priority actions that should be undertaken to improve the fishery, and then overseeing an action plan.

This is an expansion of a relationship with WWF dating back to 2006.

WWF is the world's largest private conservation organization. It has proven experience working with major global companies and their supply chains to influence change in the way key global commodities are produced, processed and consumed. SFP is a non-governmental organization founded in 2006 as a program of the Trust for Conservation Innovation, working in sustainable seafood and marine and freshwater conservation.

C. In 2012, we became a signatory to the declaration of the Global Partnership for Oceans. <http://www.globalpartnershipforoceans.org/> The Global Partnership for Oceans is a growing alliance of over 100 governments, international organizations (including the World Bank Group), civil society groups, and private sector interests that will mobilize knowledge and financial resources to address threats to ocean health, resilience, and productivity.

D. We continue to believe that farmed seafood should be an integral part of our business and that farming can proceed in sustainable fashion.

1. The Shrimp Aquaculture Dialogue (ShAD) has established draft standards for shrimp farming. ShAD is a network of approximately 400 shrimp farmers, non-governmental organizations,

academics and others who have been working together since 2007 to develop global standards for shrimp farming. The global, performance-based standards will help minimize negative environmental and social impacts of shrimp farming. We are currently conducting pre-assessment work in cooperation with the Institute for Marketecology. Through this project, Costco also will evaluate the Aquaculture Stewardship Council (ASC) certification process. The ASC is a new entity that will be responsible for working with independent third-party auditors to certify farms that adopt the standards.

2. Farmed Atlantic salmon is a signature item for us, and we believe that aquaculture generally is a critical source of affordable protein. We are working with our suppliers to implement standards from the Salmon Aquaculture Dialogue, representing years of collaboration among industry, customers, and non-governmental organizations. <http://www.worldwildlife.org/what/globalmarkets/aquaculture/salmonadditionalresources.html>. The implementation process will operate similarly to what is described above for shrimp aquaculture.

3. A five-year effort has led to new global standards through the Tilapia Aquaculture Dialogue (TAD), a global standard for tilapia certification. By the end of calendar 2012 we will buy tilapia only from suppliers who have been certified under the TAD (or comparable third-party) standards by the ASC or other reputable certifying agency.

E. Canned Tuna. Our major canned tuna suppliers are participants in the International Seafood Sustainability Foundation, which is focused on improving the way governments manage and conserve tuna fisheries. <http://www.issf-foundation.org/home>. According to ISSF, in 2010 it launched a three-year strategic plan in order to focus and effectively execute its mission by targeting immediate problems blocking the development of truly sustainable tuna fisheries. This strategy has three lines of approach – applied science, advocacy and direct action. These approaches will be applied to six areas of focused effort – managing fishing capacity, mitigating bycatch, eradicating illegal, unreported and unregulated (IUU) fishing, expanding data support, advancing industry performance through monitoring, control and surveillance (MCS) and improving overall tuna stock health. We are also seeking to transition our procedures for purchases of fresh and frozen tuna to conform to ISSF guidelines.

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