

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 are ceasing, subject to current inventories and existing commitments to suppliers, the sale of certain wild species that have been nearly universally identified as at great risk: Atlantic cod; Atlantic halibut; Chilean sea bass; Greenland halibut; grouper (*Epinephelus morio*); monkfish (*Lophius americanus*); orange roughy; redfish; shark; skates and rays; swordfish; and bluefin tuna. We will not resume sales 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." If we determine in the future to rely on other certifying organizations relative to any sale of these species we will disclose the identity of those organizations. Moving forward, we expect to 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. Presently we are working with WWF (see below) to identify sustainable fisheries for certain species that have been identified as at risk in certain respects. Those efforts may lead to us to cease sales of additional species.

B. We continue to believe that farmed seafood should be an integral part of our business and that farming can proceed in sustainable fashion. To further our progress in this area:

1. As part of a continuing expansion of a relationship dating back to 2006, we recently formalized an arrangement with World Wildlife Fund (WWF), the world's largest private conservation organization. WWF 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. WWF also is recognized as one of the world's leading non-governmental organizations working on sustainable aquaculture. The first goal of the arrangement is to gauge the degree to which Thailand-based companies that supply farmed shrimp to Costco meet the Shrimp Aquaculture Dialogue's (ShAD) 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. Standards are expected to be finalized in 2011. The second goal is for WWF and Costco to develop a strategy to guide suppliers toward full compliance with the standards. The assessment will focus on environmental and social performance in the production of farmed shrimp. Finally, through this project, Costco will evaluate the Aquaculture Stewardship Council (ASC) certification. 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. A large supplier, Marine Harvest, is devoted to improving practices concerning salmon farming around the world and it has reported extensively on those efforts.

[http://www.marineharvest.com/en/investor1/Press-](http://www.marineharvest.com/en/investor1/Press-releases/2010/Marine-Harvest-Sustainability-Report-2009/)

[releases/2010/Marine-Harvest-Sustainability-Report-2009/](http://www.marineharvest.com/en/investor1/Press-releases/2010/Marine-Harvest-Sustainability-Report-2009/). We support those efforts. In addition, we will work with our suppliers to implement standards from the Salmon Aquaculture Dialogue (currently in draft form), representing years of collaboration among industry, customers, and non-governmental organizations.

<http://www.worldwildlife.org/what/globalmarkets/aquaculture/salmon-additionalresources.html>. Standards are expected to be finalized in 2011.

Regal Springs Tilapia is one of Costco's primary tilapia suppliers. It is the largest independent aquafarmer of tilapia in the world and played a crucial role in the five-year effort to establish new global standards via the Tilapia Aquaculture Dialogue (TAD), a gold standard for tilapia certification.

<http://www.regalsprings.com/index.php/Home/sustainability>. Our initial intention was that by no later than the end of calendar 2011 we would 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. Although some of our suppliers have been certified, because of delays in preparations of certifying agencies, this goal has been delayed to the end of calendar 2012.

3. 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.iss-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.