

## **COSTCO WHOLESALE ETHICS AND COMPLIANCE PROGRAM**

1. Costco will appoint or retain a Chief Compliance Officer who will directly report to the Nominating and Governance Committee of Costco's Board of Directors ("the Governance Committee"), which is comprised of independent directors (presently including committee chairman William Gates), and has responsibility to "develop and recommend to the Board corporate governance guidelines, and provide oversight with respect to corporate governance and ethical conduct." The Governance Committee shall exercise reasonable oversight with respect to the implementation and effectiveness of the compliance and ethics program. The Chief Compliance Officer position shall be retained for a period of at least three years and shall: (a) report to the Governance Committee at least twice each year on compliance issues, including the adequacy of the sharing of information between the Financial Reporting Department and the Financial Planning Department; and (b) report at least once per year to the independent accounting firm or law firm to be retained pursuant to paragraph (4) below.

2. The Chief Compliance Officer shall take reasonable steps to ensure that Costco has an effective compliance and ethics program, and the Chief Compliance Officer's duties shall at a minimum include overseeing and coordinating the following areas:

- a. Enhancing Costco's existing compliance and ethical standards and procedures to prevent and detect unlawful conduct;
- b. Revising Costco's Code of Conduct to promote employees' understanding of the compliance and ethical standards and procedures referred to in subparagraph (a) above;
- c. Communicating Costco's compliance and ethics standards and procedures and its revised Code of Conduct to its officers and employees;
- d. Enhancing Costco's employee training program so as to (1) promote understanding by all Costco employees of Costco's compliance and ethics standards and procedures; and (2) confirm with the Controller and Chief Accounting Officer that appropriate training is conducted relating to accounting for expenses associated with Costco's equity compensation program;
- e. Taking reasonable steps to ensure that Costco's compliance and ethics program is followed, including monitoring and auditing to detect unlawful conduct;
- f. Augmenting Costco's "whistle-blower" mechanism so that Costco employees can make anonymous reports of, or seek guidance regarding, potential or actual unlawful conduct;
- g. Communicating to Costco's executive officers and senior management the importance of ensuring that there are appropriate incentives to act in accordance

with the compliance and ethics program and disciplinary measures for failing to do so;

- h. Taking reasonable steps to oversee internal investigations into allegations of unlawful conduct by Costco's officers or other serious allegations of significant unlawful conduct involving fraud; and
- i. Recommending to Costco's officers appropriate responses to detected misconduct.

3. Costco will adopt written procedures to memorialize and expand current practices and procedures to ensure that information is shared between internal departments responsible for Costco's equity compensation program, namely the Financial Planning Department and the Financial Reporting Department, including, but not limited to, for a period of at least three years, implementing in-person quarterly meetings attended by at least the Chief Compliance Officer, the Chief Financial Officer, the Controller, and the supervisors of both departments. These procedures shall be subject to the review and approval of both the Chief Compliance Officer and the Governance Committee.

4. Costco will retain an independent auditor or law firm to (1) review Costco's compliance and ethics program as set forth in paragraphs 1-2 above, including, but not limited to, all newly implemented and existing compliance and ethics standards and procedures, in order to evaluate the effectiveness of the compliance and ethics program and to determine whether the newly implemented and existing compliance and ethics standards and procedures are adequate to ensure that Costco has an effective and robust compliance and ethics program; and (2) make recommendations as to any additional modifications to Costco's compliance and ethics program, or to the implementation of any additional compliance or ethics standards or procedures. Such an independent review shall be conducted at least once per year for a period of no less than three years.