



40, Iljik-ro, Gwangmyeong-si, Gyeonggi-do, 14347, Republic of Korea

March 28, 2016

Mr. Dante Pesce
Mr. Baskut Tuncak
Mr. Dainius Puras
Office of the High Commissioner for Human Rights
Palais des Nations
CH-1211 Geneva 10, Switzerland

Re: Joint Communication from Special Procedures

Dear Mr. Pesce, Mr. Tuncak and Mr. Dainius:

Costco Wholesale Korea, Ltd. ("Costco Korea" or the "Company") provides the following information in response to the Joint Communication from Special Procedures dated February 12, 2016 (the "Joint Communication") concerning the alleged violations of the rights of at least 530 individuals who suffered from adverse health impacts due to exposure to hazardous chemicals found in humidifier sterilizers.

I. Background

As an initial matter, unlike other large retailers involved in the humidifier sterilizer cases, Costco Korea never manufactured or sold its own private label brand of sterilizers. However, "Humidifier Clean Up," manufactured by GLONM and distributed by Homecare, was sold by Costco Korea prior to the product recall announced by the Ministry of Health & Welfare Affairs ("MOHW"). Further, while "Humidifier Clean Up" was one of the six products on the recall list announced by the MOHW, we are unaware of any claims made against Costco Korea by any of our members who purchased and used this product. For these reasons, among others, Costco Korea was never held civilly liable for the claims brought by the victims and their family members. Moreover, the prosecution never filed criminal charges against Costco Korea after conducting two investigations over the last three years.

By way of background, in 2012, the Gangnam Police Department investigated certain manufacturers and retailers of the humidifier sterilizers at issue. As part of its investigation, a representative of Costco Korea was interviewed by the Gangnam Police on December 17, 2012 concerning the Company's vendor selection and product purchase procedures. After concluding the investigation, the Gangnam Police reported the results to the prosecutor's

office and recommended “no indictment” against Costco Korea and no indictment was ever issued against the Company following the police’s investigation.

II. Civil Cases against Manufacturers and Retailers of Humidifier Sterilizers

As mentioned in the Joint Communication, in 2012, the victims and their family members filed civil complaints against the government and eight manufacturers of the humidifier sterilizers at issue. Costco Korea, however, was not named as one of the defendants. In 2014, another civil lawsuit was filed against all manufacturers of the humidifier sterilizers at issue, including GLONM. In this second civil case, Costco Korea was named as one of the defendants. However, the claim against Costco Korea was dismissed based on the finding by the Korea Environment Industry & Technology Institute (“KEITI”) (the arbitrator in the second civil suit) that Costco Korea was not the distributor of the humidifier sterilizer at issue and therefore cannot be held liable for damages claimed by the plaintiffs in the second case. As explained above, this second civil case was filed against Costco Korea due to the mistaken belief on the part of the victims that Costco Korea was the distributor of the Humidifier Clean Up product. As of this date, there are no civil cases pending against Costco Korea in connection with any of the humidifier sterilizers.

III. 2012 and 2014 Criminal Investigations

In 2012, the victims also filed criminal complaints against certain manufacturers and distributors of the humidifier sterilizer at issue. After the police concluded its investigation, no formal charges were brought against Costco Korea because none of the Company’s members suffered injuries or died from using the humidifier sterilizer purchased from the Company.

The victims filed another criminal complaint in 2014 against 15 companies, including GLONM and Costco Korea. Again, Costco Korea and GLONM were investigated but no criminal charges were brought against the Company. We understand that the prosecutors’ office indicted eight of the 15 companies that were investigated.

IV. 2015 Investigation by the Seoul Central Prosecutor’s Office

A victim of a humidifier sterilizer incident that occurred in 2011, which involved the death of a pregnant woman, together with seven of the victim’s family members filed a criminal complaint with the Seoul Central District Prosecutor’s Office (the “SCPO”) against four companies engaged in the manufacture and distribution of humidifier disinfectants, charging the companies with homicide. The four defendant companies were as follows: (1) SK Chemical, as the manufacturer of “Aekyung Humidifier Mate”; (2) Aekyung Industrial, as the distributor of “Aekyung Humidifier Mate”; (3) GLONM, as the manufacturer of “Humidifier Clean Up”; and (4) Costco Korea, as the distributor of “Humidifier Clean Up.”

Following the filing of the criminal complaint, the police conducted an investigation and forwarded the case to the SCPO for further investigation. Based on the police investigation findings, Costco Korea was not subject to any further investigation by the SCPO having concluded that Homecare (and not Costco Korea) was the distributor and GLONM was the manufacturer, of Humidifier Clean Up.

We understand that some of the companies involved in the investigation were subject to two rounds of raid by the SCPO and the case is still under investigation.

V. Costco Korea's Compliance with the Laws and Regulations

Costco Korea is dedicated to quality in every area of its business and respected for its outstanding business ethics. As such, Costco Korea exercises the utmost care in ensuring that it provides quality products to its members. While Costco Korea fully appreciates the potential gravity of these claims, the Company was not aware of nor could it have known about, the harmfulness of the product. Moreover, Costco Korea made its purchasing decision based on the Korea Certification ("KC") mark on the product label which signifies compliance with Korea's product safety requirements.

Further, Costco Korea takes its responsibility to respect human rights very seriously and complies with international human rights standards. By way of example, Costco Korea's U.S. affiliate, Costco Wholesale Corporation, has established a global supplier Code of Conduct (the "Code of Conduct" or "Code") which prohibits human rights abuses in its supply chain. The Company applies the Code in Korea. Practices such as human trafficking, physical abuse of workers, restricting workers' freedom of movement, confiscation of passports and worker documentation, unsafe work environments, failure to pay adequate wages, excessive and/or forced overtime, illegal child labor, and many other aspects of worker welfare are addressed by the Code. Our suppliers contractually agree to follow the Code and require that its sub-suppliers also comply.

To evaluate compliance, we arrange for periodic audits of facilities of selected suppliers, with an emphasis on those suppliers who generate private label merchandise and any suppliers whose product or country of origin indicates an increased risk. Audits are performed by independent third-party auditors who specialize in social responsibility.

If we discover a violation of our Code of Conduct, we respond in a manner commensurate with the nature and extent of the violation. "Critical violations" are considered serious enough to require immediate and decisive remedial action and may result in the termination of the business relationship. For less serious violations, we allow the supplier reasonable time to develop and implement a plan for remediation. In those instances we conduct follow-up audits to monitor progress.

Members of Costco Korea's buying team who manage a supplier relationship are provided with in-person and online training covering the Code of Conduct and its importance to the Company's business and to the workers who produce the merchandise we sell.

Furthermore, we have implemented a global confidential ethics hotline as part of our continuing efforts to assure compliance with the Code, the Company's Code of Ethics, and other legal and ethical policies (www.costco.ethicspoint.com). This is a confidential tool available for use by any supplier who has reason to believe a Costco Korea employee or supplier is in violation of these policies.

We encourage our suppliers to report possible violations and other misconduct, including violations of:

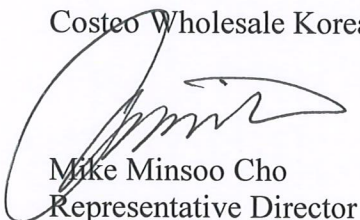
- Antitrust and competition laws;
- The U.S. Foreign Corrupt Practices Act;
- Insider trading restrictions;
- Accounting, financial reporting, and internal control rules;
- Health, safety, and environmental laws; and
- Costco Korea's Code of Conduct.

The hotline also allows suppliers to raise issues involving personal misconduct by Costco Korea employees or employees of our suppliers, including:

- Conflicts of interest;
- Gifts, favors, entertainment, and other payments;
- Confidential information;
- Political contributions; and
- Discrimination and sexual harassment.

We hope that the above sufficiently addresses your concerns. Should you have any further questions or concerns, please let us know.

Costco Wholesale Korea, Ltd.



Mike Minsoo Cho
Representative Director