## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Purpose</td>
<td>3</td>
</tr>
<tr>
<td>Audits</td>
<td>3</td>
</tr>
<tr>
<td>Certifications</td>
<td>3</td>
</tr>
<tr>
<td>iCiX</td>
<td>4</td>
</tr>
<tr>
<td>Testing</td>
<td>4</td>
</tr>
<tr>
<td>Audit Scoring</td>
<td>4</td>
</tr>
<tr>
<td>Reaudits</td>
<td>4</td>
</tr>
<tr>
<td>Corrective Action Reports</td>
<td>5</td>
</tr>
<tr>
<td>Automatic Reaudits</td>
<td>5</td>
</tr>
<tr>
<td>Costco HACCP Requirements</td>
<td>5</td>
</tr>
<tr>
<td>Definition of HACCP</td>
<td>5</td>
</tr>
<tr>
<td>HACCP Audit Scoring</td>
<td>6</td>
</tr>
<tr>
<td>HACCP Training Requirements</td>
<td>6</td>
</tr>
<tr>
<td>Foreign Material Detection</td>
<td>6</td>
</tr>
<tr>
<td>Pest Control</td>
<td>7</td>
</tr>
<tr>
<td>Bare Hands Contact</td>
<td>7</td>
</tr>
<tr>
<td>GMP (Good Manufacturing Practices)</td>
<td>7</td>
</tr>
<tr>
<td>Product Recall</td>
<td>8</td>
</tr>
<tr>
<td>Vendor Ingredient Requirements</td>
<td>7</td>
</tr>
<tr>
<td>Costco Approved Audit Companies</td>
<td>8</td>
</tr>
<tr>
<td>Food Safety/Certification Audits</td>
<td>8</td>
</tr>
<tr>
<td>Companies Pending Costco Approval</td>
<td>9</td>
</tr>
<tr>
<td>Animal Welfare Audit Companies</td>
<td>9</td>
</tr>
<tr>
<td>Costco Food Safety Contacts</td>
<td>9</td>
</tr>
<tr>
<td>U.S. Contacts</td>
<td>9</td>
</tr>
<tr>
<td>Canadian Contacts</td>
<td>9</td>
</tr>
</tbody>
</table>
AUDIT PURPOSE

The purpose of an audit is to gather current and accurate information concerning the overall food safety status of existing and potential vendors. This information is to be shared with appropriate members of Costco Wholesale ONLY, namely the Food Safety & Technology Group and the Buying Staff.

The Food Safety Group will use this audit to determine what areas, if any, are in need of improvement to meet the Costco Food Safety criteria. The buying staff will use the information as an aid in making sound, intelligent purchases for our members. The results of this audit will not be used in any way as a punitive measure; rather, this audit provides both the vendor and Costco Wholesale the opportunity for continued improvement and enrichment.

AUDITS

All facilities which manufacture products for Costco are required to have an annual food safety audit/certification. Companies with facilities in China are required to have a GMP audit and/or a GFSI certification every six months. Anniversary audits are to be conducted no later than two weeks after the previous annual audit date. Audits/Certifications must include the Costco Addendum.

New vendors with a food safety audit/certification conducted in the past year by a Costco approved audit company may submit the audit/certification document to Costco for review. If submitting an audit corrective action must be included for each deficiency found in the audit. Audits/certification submitted without the Costco Addendum, will require a review by personnel from the Costco food safety staff. Upon review, Costco will determine if the vendor’s audit/certification is acceptable or if a new audit/certification must be conducted.

Types of Audits

- Food Safety & Quality audits (GMP)
- Distribution Center Audits
- Produce Audits – See Produce Expectations
- Small supplier Audits
- Animal Welfare Audits
- cGMP (Good Manufacturing Practices for supplements)

CERTIFICATIONS

Costco will accept the following GFSI certifications with a minimum total score of 85%: SQF and IFS. Costco is also accepting BRC certifications with a Grade B or above and passing FSSC 22000 certifications/surveillance audits. All certifications/surveillance audits must be current (within the past calendar year). Suppliers with passing certification scores that are below Costco’s minimum standards can elect to have a one day audit in which all corrective actions listed in the original certification/surveillance audit must be verified. Upon satisfactory completion of corrective action assessment Costco will accept suppliers’ certification.

Costco is only accepting the above certifications from approved certification bodies listed in the approved audit company section.

Note: Costco will review additional Certification Bodies on a case by case basis
ICIX

Costco is using iCiX – International Compliance Information Exchange, to manage audit documents. All facilities supplying Costco are required to join iCiX by registering on the iCiX website @ www.icix.com. Cost for registration is $299.00 per facility (price subject to change) and must be renewed on an annual basis failure to renew your membership could result in a $150.00 reactivation fee. For registration information contact: Emily Ware at (425)-296-0828 or emily.ware@icix.com

Member details (profile) should be filled out completely to include all products sold to Costco (under the ‘products’ tab). As GMP audits are completed, they will be posted to iCiX under the ‘Certifications’ tab by the audit company, within 5 days of the audit. Each facility is to post their CAR (corrective action report) within 14 days of the audit being posted to iCiX. For Certifications the complete audit and the certificate will be posted to iCiX upon issuance of the certificate.

GFSI audits will follow the scheme owners proved timetable for posting.

TESTING

Costco will require vendors who produce high risk items (i.e. sliced lunch meats, cheese, dairy and RTE salads, as well as Kirkland Signature Food and Pet items) to have a documented Environmental Sampling Program in place (based on target pathogens of concern).

In addition, Costco will require vendors who produce high risk items (i.e. sliced meats, cheese, dairy and RTE salads), as well as all Kirkland Signature Food and Pet items to have a documented Finished Goods Microbial Test and Hold Program in place. The test program should be based on target pathogens of concern.

AUDIT SCORING

<table>
<thead>
<tr>
<th>Score</th>
<th>Rating</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>98 - 100%</td>
<td>Excellent</td>
<td>Corrective Action not required</td>
</tr>
<tr>
<td>85 - 97%</td>
<td>Good</td>
<td>Corrective Action</td>
</tr>
<tr>
<td>&lt; 85%</td>
<td>Needs Improvement – Corrective Action and <strong>Reaudit Required</strong></td>
<td></td>
</tr>
</tbody>
</table>

REAUDITS

A product recall or serious incident will initiate a requirement for a food safety audit. Audits scoring less than **85% in any category** will require a full system reaudit. Reaudits must be conducted within 60 days of the audit being posted to iCiX. Animal Welfare Audits scoring less than 85% **total** score will require a reaudit.

**Deficiencies not addressed in Corrective Action from previous year will be moved up to the next category, i.e. minor moves to major, major moves to critical.**

Depending on the audit company scoring matrix this could result in a section scoring failure which will initiate a reaudit.
CORRECTIVE ACTION REPORTS

A corrective action response must be included for each deficiency found in the audit.
A Corrective Action Report must be uploaded to iCiX within 14 days of the audit being posted in iCiX.
Facilities with a total audit score of 98% or above will not be required to post a CAR (Corrective Action Report).

AUTOMATIC REAUDITS

The following are Automatic Reaudit Criteria for Food Safety Audits:

- Failure to take corrective actions when critical limits are not met.
- Employees with obvious sores, infected wounds or other infectious illnesses are allowed to have direct contact with exposed food products or production / storage areas.
- Product contamination is observed.
- Food allergens are present and an allergen control program has not been developed.
- The required registration for the Bio-Terrorism Regulation cannot be verified. (This applies to vendors that manufacture and import to the U.S.)
- A documented SSOP Standard Sanitation Operating Procedures has not been established and implemented.
- A documented Food Safety Plan (GMP) has not been established.
- A written pest control program has not been established, including a designated pest control operator, frequency of service and a current map showing the location and type of all pest control devices; internal and external.
- Water is not from a microbiologically potable source. Failure to test water from a municipal source annually or well water quarterly (when applicable).
- Finished products not properly coded for traceability.
- Evidence of decomposed pests on the interior of the facility, including in pest control devices.
- Evidence of pests to include but not limited to insects, spiders, rodents, amphibians or birds on or in any food ingredient, product or packaging material.
COSTCO HACCP REQUIREMENTS

All facilities that supply Costco are required to operate under a HACCP Program.

DEFINITION OF HACCP

HACCP is an acronym that stands for Hazard Analysis Critical Control Point. HACCP is a method to help manufacturers identify and evaluate their processes to control food safety issues. Essentially, HACCP helps manufacturers identify:

- What can go wrong in their process?
- Physical, microbiological, chemical and other risks to their processes
- How to control their process so that it doesn’t go wrong. Validation
- If it does go wrong, what happens then? How do you fix it?

HACCP AUDIT SCORING

If your facility is operating under a HACCP program, whether or not it is required by regulation, the HACCP section of the audit will be scored as usual.

Facilities that do not have a current HACCP program in place but receive a passing score on their audit (85% or above in all sections) will be required to post their HACCP program to iCiX within 120 days of the audit date.

Facilities not having a functioning HACCP pertaining to Costco product program on their first anniversary audit will fail the audit.

HACCP TRAINING REQUIREMENTS

The person or persons responsible for the HACCP program must complete formal HACCP training.

Suggested Resources for HACCP Training:

http://www.uri.edu/ce/ceec/food/factsheets/haaccp.html
http://foodsafety.unl.edu/haccp/haccp/start/introhaccp.html
http://haccpalliance.org/
http://www.nehatraining.org/products/haccp.htm
http://www.aamp.com
http://www.food-safetynet.com/
http://www.gftc.ca/courses-and-training/haccp.aspx

Additional References and Resources can be found at:
https://beta.icix.com/secure/link.asp?docId=379538
FOREIGN MATERIAL DETECTION

Costco would like physical hazards to be controlled using an x-ray device. Sites without x-ray or metal detection will be evaluated on site via phone by the auditor and Costco personnel for risk level. If the risk in your facility is deemed low, a device will not be required. If the risk level is medium to high, you will be required to install a foreign material detection device, preferably x-ray. When adding or replacing equipment for foreign material detection, Costco would like all suppliers to consider an x-ray device. Additionally, Costco requires facilities to document hourly checks to confirm the foreign material detection device is operating correctly. When checking metal detection devices the auditor will ask plant staff to demonstrate that all devices in the facility are working effectively at their maximum level of sensitivity using certified test pieces for all three contaminants; Ferrous (iron), Non-Ferrous (non iron), and Stainless Steel.

In the event you have been required to install a foreign material device Costco will expect photo documentation of your installed device and your Foreign Material Plan to be uploaded to iCiX within 150 days.

An automatic audit failure will occur if it has been determined that the plant requires a foreign material device and that device is not functioning and available for the auditor to evaluate during the facility’s anniversary audit.

All foreign detection devices must have a proper rejection device i.e. belt stops, air-jet etc.

A written procedure must be in place to control product rejected by a foreign material detection device and to segregate that product from general production. This action is to be documented.

PEST CONTROL

Pest control programs must be developed and monitored by licensed and certified pest control personnel.

BARE HANDS CONTACT

Costco has a “No Bare Hands” policy. When gloves are used as a barrier they are to be latex free and powder free. Fabric and/or cotton gloves should not be used when hands are in contact with food.

Where it can be demonstrated that the wearing of gloves is impractical or hands are more hygienic, i.e. a livestock slaughter floor, then bare hands will be accepted.

GMP (GOOD MANUFACTURING PRACTICES)

All employees must wear a hairnet when working around exposed product. If workers have facial hair, Costco will require that all facial hair be covered when processing Costco product. Beard nets are to be worn and will cover both beard and moustache.
PRODUCT RECALL

Costco requires documented traceability exercises be performed two times per year. Costco would like to see that a traceability exercise has been conducted on both a finished good item and a raw ingredient. In addition demonstration of a traceability exercise will be required during all audits to assess the effectiveness of the product recall program. The traceability exercise program must include the distribution of specific product lots, raw ingredients and primary packaging. The exercise will be conducted on a random item chosen at the auditor's discretion. The system must be able to account for 100% of the product in a 2 hour timeframe.

VENDOR INGREDIENT REQUIREMENTS

Facilities must have a program in place (Approved Supplier Program) to approve and monitor their suppliers (all raw materials, ingredients and primary packaging). Vendor’s suppliers must provide them with a current (within one calendar year) food safety audit with HACCP Certification and a product specification sheet which includes product requirements, labeling and code dates. Raw material and ingredient suppliers must be operating under a HACCP program.

Packaging facilities must have a documented monitoring program to evaluate packaging compliance to specifications, including a method to identify specific lot numbers.

COSTCO APPROVED AUDIT COMPANIES

Costco will only accept audits or certifications from the following:

CURRENT FOOD SAFETY/CERTIFICATION AUDITS

AUS-Meat Limited/AUS-QUAL Pty Ltd (Australia & New Zealand GMP audits/certifications, meat specialty)

DNV (Domestic and International GMP audits/certifications)

FSNS - Food Safety Net Services (Domestic GMP audits/certifications, meat specialty)

GFTC (Canadian GMP audits/certifications, small supplier audits)

NSF - International (Domestic and International GMP audits/certifications, small supplier audit, high risk addendum)

NSF - Beverage (bottled water & ice)

SAI Global (Domestic and International GMP audits/certifications, meat specialty)

Randolph and Associates (Domestic GMP audits/certifications, small supplier audits, dairy specialty)

SGS (CTS) (Domestic and International GMP audits/certifications)

Silliker (Domestic and International GMP audits/certifications, small supplier audits)

Steritech (Domestic and International GMP audits/certifications)

NOTE: GFSI certification will be accepted by AIB
COMPANIES PENDING COSTCO APPROVAL

Costco has the following companies under review and may accept audits/certifications from additional companies on a case by case basis.

UL-STR (supplements only)
LRQA
Intertek
Eurofins
TUV SUV
Global Trust

ANIMAL WELFARE AUDIT COMPANIES

American Humane
AUS-Meat Limited
DQC - Dairy Quality Centers
FSNS - Food Safety Net Services
GFTC – Guelph Food Technology Center
NSF - Cook & Thurber
Silliker
Steritech
Validus

Note: All U.S. animal welfare auditors must be PACCO certified

COSTCO FOOD SAFETY CONTACTS

U.S. CONTACTS

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Phone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steve Bell</td>
<td>Audit Manager</td>
<td>425-313-8760</td>
<td><a href="mailto:sdbell@costco.com">sdbell@costco.com</a></td>
</tr>
<tr>
<td>Mike Freal</td>
<td>Audit Support</td>
<td>425-313-6801</td>
<td><a href="mailto:mfreal@costco.com">mfreal@costco.com</a></td>
</tr>
<tr>
<td>Milinda Dwyer</td>
<td>Audit Support</td>
<td>425-427-7474</td>
<td><a href="mailto:mdwyer@costco.com">mdwyer@costco.com</a></td>
</tr>
<tr>
<td>Eric Benolkin</td>
<td>Audit Support</td>
<td>425-427-7508</td>
<td><a href="mailto:ebenolkin@costco.com">ebenolkin@costco.com</a></td>
</tr>
<tr>
<td>Christine Summers</td>
<td>Director</td>
<td>425-313-6097</td>
<td><a href="mailto:csummer@costco.com">csummer@costco.com</a></td>
</tr>
</tbody>
</table>

CANADIAN CONTACTS

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Phone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rhonda Keeler</td>
<td>Audit Manager</td>
<td>613-221-2936</td>
<td><a href="mailto:rhonda.keeler@costco.com">rhonda.keeler@costco.com</a></td>
</tr>
<tr>
<td>Marcelle Lavergne</td>
<td>Director</td>
<td>613-221-2311</td>
<td><a href="mailto:marcelle.lavergne@costco.com">marcelle.lavergne@costco.com</a></td>
</tr>
</tbody>
</table>