Animal Welfare
A Customer Perspective

October 16, 2015
NAMI Animal Care and Handling Conference
Costco today....

- Sales of $114 Billion
- 2.3 Million Transactions/Day
- 686 Warehouses
- 9 countries
- 2nd Largest retailer in the world
- 200,000 Employees
Costco Members

- 44 Million Households (80 M cardholders)
- Expectations
- Heightened Awareness
- Costco’s Responsibilities
Costco Wholesale’s Mission Statement on Animal Welfare

Costco Wholesale is committed to the welfare, and proper handling, of all animals that are used in the production of food products sold at Costco.

This is a long-standing commitment, and we pledge our diligence in working with industry and academia in the pursuit of new and improved technologies and methods to further enhance animal well-being.

This is not only the right thing to do it is an important moral and ethical obligation we owe to our members, suppliers, and most of all to the animals we depend on for products that are sold at Costco.

At Costco, we subscribe to and support Brambell’s Five Freedoms of Animal Well Being:

Freedom of fear

Freedom from discomfort (right environment, shelter and a place to rest)

Freedom from thirst and hunger

Freedom to exhibit natural behavior

Freedom of pain and suffering

Animal welfare is part of Costco’s Culture and Responsibility, which calls on each of us to serve as stewards of the animals, land, and environment entrusted to us.
Overview

As part of our commitment, Costco has established an animal welfare audit program. We utilize recognized audit standards and programs conducted by trained auditors and look at animal welfare both on the farm and at slaughter.

The purpose of an audit is to gather current and accurate information concerning the overall welfare of animals used for food. This information is shared with members of the Costco food safety and technology group and buying staff. They use audit results to determine what areas, if any, need improvement to meet our animal welfare criteria, for both existing and potential vendors. The buying staff also uses this information as an aid in making sound purchases for our members.

Audits apply to these two scenarios:
On-farm audits. These inspect the welfare of live animals on the farm in their living environment. Currently these are conducted for the following species: chicken (egg-laying hens); dairy cows; pork; poultry (chicken and turkey); and veal.

Slaughter audits. These take place at the plant where animals are slaughtered and processed for these species: beef, pork, poultry (chicken and turkey), and veal.

Audits can be conducted by Costco auditors, suppliers, and/or third parties. Audit type, frequency and intensity can vary across suppliers and species.
Beef


2012 – Costco requires all Animal Welfare Auditors auditing Costco Suppliers to be PAACO (Professional Animal Auditor Certification Organization) Certified. This applies to all species, all audits*.

All Costco Beef Suppliers have current Animal Welfare Audits performed at slaughter.
2007 – Costco implements first Costco Dairy Animal Welfare Audits and partners with DQC (Dairy Quality Center) to begin program.

Program consists of three levels: Self-Audits, Second Party Veterinarian Audits, and Third Party Audits.

Each year Costco has increased the requirement to move toward Second and Third Party Audits based on herd size.

2010- Costco implements standards regarding dehorning and asked that suppliers cease tail docking by 2012.

2012 - Costco begins working with larger Cooperative Suppliers who utilize the FARM Program with an effort toward increasing the frequency of Third Party Verification.
2010 – Costco implements veal policy to promote calf welfare.

All Costco Veal is completely traceable to the farm level and all farms are 100% inspected for compliance to the requirements.
Costco Veal Policy

• Inhumane treatment of calves is unacceptable and will not be tolerated at any stage of the animal’s life.
• Calves must never be tethered while in a stall.
• There must be a minimum of two calves per stall after 8-10 weeks of age. (This is dependent upon calf behavior and health issues that would require a calf be separated.)
• All stalls must be large enough to allow calves to freely turn around, lie down, and maintain normal postures.
• Calves must be inspected at least twice daily by the farmer or caregiver to ensure cleanliness of the animals as well as the stall.
• The farmer or caregiver will also ensure proper fresh air and ventilation at all times.
• Calf diets must consist of nutritious feed and fresh water.
• Veal barns are to receive, at a minimum, one annual third party humane handling audit per year. These audits are to be made available to Costco Wholesale.
• Veal barns are to be visited by a veterinarian at a minimum, once every grow-out cycle.
• Electric prods are never to be used.
• Non-ambulatory animals are never to be used in production.
2008 – Costco begins working with suppliers and the farms that supply them to evaluate pork animal welfare. Costco met with the National Pork Board to discuss the implementation of the newly released PQA Plus (Pork Quality Assurance Plus).

2012 - Costco asks its suppliers to phase out gestation crates for pregnant sows in favor of group housing. The goal is to complete the transition by 2022. Many of Costco’s suppliers have all ready completed this process and many more will finish ahead of this target date.
Poultry

2005 - Costco begins requiring Animal Welfare Audits at slaughter per the National Chicken Council (NCC) Recommended Animal Handling Guidelines. Costco requires audits hatchery and grow-out facilities.

2007 – Costco implements the Costco Animal Welfare Audit for Laying Hens. Since this time we have added American Humane, Certified Humane, and UEP Audits. These certifications/audits are all conducted by Costco recognized Audit Companies. Costco audits conventional cage, cage-free, and organic housing systems.
Eggs Sold at Costco

As seen in the chart below, Costco has been working closely with our family farmers and suppliers since 2006 to improve animal welfare in the egg production community.

<table>
<thead>
<tr>
<th></th>
<th>Individual Eggs</th>
<th>All Eggs</th>
<th>Organic / Cage Free Eggs</th>
<th>Conventional Eggs</th>
<th>Enriched Colony</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY15 Total Sales</td>
<td>2.9 Billion</td>
<td>763 Million</td>
<td>1.4 Million</td>
<td>783 Million</td>
<td></td>
</tr>
<tr>
<td>FY15 Percent to Total</td>
<td>26%</td>
<td>47%</td>
<td>27%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY06 Total Sales</td>
<td>1.6 Billion</td>
<td>34 Million</td>
<td>1.57 Billion</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>FY06 Percent to Total</td>
<td>2%</td>
<td>98%</td>
<td>---</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This makes an even more compelling story when one understands that over 93% of the eggs produced in the US come from suppliers that use “battery cage housing systems”.

Costco continues to be committed to working with and supporting the family farmers and egg suppliers within the egg production community to assure that progress in continuing to be made in poultry welfare.
Animal Welfare Task Force

As early as 2004 Costco partnered with noted animal welfare experts and other organizations that are committed to animal well-being based on sound science. Costco has met with these experts from industry and academia to review, consult, and help implement our current programs.

Beginning in September 2015 Costco will be expanding its Animal Welfare position by convening an Animal Welfare Task Force comprised of Buyers, Food Safety, Sustainability, and Industry Experts. The goal of this Task Force will be to further enhance and strengthen Costco’s current animal welfare policies while working with its suppliers to move toward the best animal well-being programs based on current and new available technologies and methods.
Thank you