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UNITED STATES DISTRICT COURT

DISTRICT OF OREGON

PORTLAND DIVISION

LESLIE BRUNKER and JEREMY PARRA, Plaintiffs, v. COSTCO WHOLESALE CORPORATION, a Washington corporation, Defendant.	Case No. CLASS ACTION ALLEGATION COMPLAINT Unlawful Trade Practices Act, ORS 646.638 Unjust Enrichment DEMAND FOR JURY TRIAL

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As consumers, we have a powerful role to play to end child labor. By using our voices and wallets, we can shape markets, influence brands and take a stand against exploitative labor practices.

-UNICEF[1]

Our members have extended a trust to Costco by virtue of paying a fee to shop with us.

-Costco's Mission Statement & Code of Ethics[2]

I. Introduction

1.

Child labor is a pervasive, systemic problem deeply embedded within the global food supply chains that stock American grocery and retail stores. Every day, retailers sell—and consumers buy—common items like chocolate, milk, frozen seafood, and coffee sourced from farms and producer collectives around the world that exploit children and forced laborers.

2.

Corporate grocery chains have no economic incentive to confront this moral tragedy unless consumers hold them accountable. Products made with exploited labor in Africa, Asia, and Latin America may be sold lawfully in American stores and are cheaper and more profitable than comparable ethically produced items. The economics are straightforward: Producers that use child and forced labor can reduce their costs below those of producers that employ free, adult workers. And the United States Supreme Court has now ruled that foreign child laborers cannot themselves sue American manufacturers that knowingly profit from their exploitation.[3]

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[1] *Conscious Consumerism and You: Demanding an End to Child Labor and Trafficking*, UNICEF, at 2, https://perma.cc/FZV5-J2H5 (archived Sept. 24, 2026).
[2] *Mission & Code of Ethics*, Costco Wholesale (Mar. 2010), https://perma.cc/2YBD-K9EL.
[3] *Nestlé USA, Inc. v. Doe*, 593 U.S. 628 (2021).

3.

Consumer preferences, however, can be a powerful tool for shaping the economic incentives of retailers and manufacturers. Polling shows that Americans overwhelmingly prefer not to buy products they know are tainted by child labor and are willing to pay a premium for products they trust to be ethically sourced.

4.

To capitalize on this demand, defendant Costco Wholesale Corporation ("Costco") brands itself as a retailer of "ethically sourced" and "sustainable" products and makes broad, categorical promises to shoppers about its ability to prohibit child and forced labor in the supply chains behind the products it sells.

5.

Costco—the nation's second-largest retailer of groceries and consumables—operates under a "warehouse club" model in which customers purchase annual memberships for access to a limited selection of brands sold in bulk at modest discounts, as well as to Costco's suite of house-brand items marketed under the best-selling "Kirkland Signature" label. Costco memberships sell at a premium over comparable memberships at competitor warehouse chains.

6.

Costco promises members that its product suppliers are prohibited from using "illegal child labor" and must disclose every production facility for Costco's consent and approval. Costco claims to enforce these standards through rigorous audits and to sanction suppliers and sub suppliers that violate them.

7.

Costco makes its most absolute representations about its flagship Kirkland Signature line. Claiming that it creates Kirkland products itself, Costco advertises that by "controlling every element of [each] item's creation," it maintains "direct insight into the entire supply chain including the products' locations of origin, environmental impacts, labor conditions, packaging, and conditions under which the products are produced."

8.

These promises are demonstrably false. In reality, Costco fails to prohibit child labor among its suppliers, does not maintain visibility into those supply chains, and fails to sanction suppliers for child labor or forced labor practices. To the contrary, while advertising strict standards and prohibitions, Costco routinely sells brands with well-documented or self-admitted child labor problems, including suppliers Costco knows use child and forced labor.

9.

Kirkland Signature items are no exception. Contrary to its representations, Costco does not manufacture the vast majority of the grocery items it sells under the label and consequently does not—and cannot—"control[] every element of [each] item's creation."

10.

As Costco has admitted in prior litigation, it goes to considerable lengths to keep the identities of its Kirkland suppliers confidential, even claiming "trade secret" protection over these relationships. This secrecy prevents members from discovering that numerous Kirkland Signature items are merely "private labeled" name brand products available in other packaging at traditional retail stores. For several of these source products, law enforcement investigations and investigative

journalists have uncovered egregious child labor and forced worker exploitation violations taking place in their direct supply lines.

11.

Ultimately, the Kirkland Signature label hides these supply chain scandals from Costco members who pay a premium for memberships promoted as offering a carefully curated product line that has been subjected to Costco's strict ethical procurement standards. But under cover of its house label, Costco routinely sells products—such as Diamond Pet Foods dog food and Darigold milk—that have been the subject of well-publicized worker exploitation and child labor scandals. Rather than fulfill its promises to members, Costco uses Kirkland Signature to launder tainted products consumers would otherwise shun.

12.

Consumer preferences—even those of Oregonians alone—can be an enormously powerful tool for addressing social tragedies that normal supply-and-demand economics cannot fix. But consumers cannot exercise this power if the truth is obfuscated by misleading or untrue marketing statements. To protect consumers and ensure market transparency, the Oregon legislature enacted the Unlawful Trade Practices Act, ORS 646.605 to 646.652 ("UTPA"), empowering consumers to hold corporate retailers accountable for the truth of their marketing claims.

13.

Costco's members have been subjected to just such misrepresentations. In violation of the UTPA, Costco knowingly misrepresents the characteristics, benefits, and qualities of its membership services; the approval, characteristics, ingredients, and/or qualities of the goods it sells; and the standard, quality, and grade of the goods it selects for sale.

14.

Plaintiffs therefore bring this action, on behalf of themselves and similarly affected Oregonians, for declaratory and injunctive relief, compensatory and punitive damages, attorney fees and costs, and any other relief the Court deems just and proper.

II. Jurisdiction and Venue

15.

This Court has jurisdiction over this subject matter under the Class Action Fairness Act of 2005, 28 U.S.C. § 1332(d).

16.

The amount in controversy on these claims exceeds $5 million. Each Class Member seeks $200 in damages and the number of Class Members, although unknown, is estimated to exceed 1.1 million.

17.

Plaintiffs are citizens of the State of Oregon. Costco is incorporated in the State of Washington and headquartered in Issaquah, Washington. Minimal diversity exists.

18.

Venue is proper in this District because a substantial part of the events or omissions giving rise to the claim occurred in Oregon. 28 U.S.C. § 1391(b).

III. Parties

19.

Plaintiff Brunker purchased a membership at an Oregon Costco location on October 6, 2025. She is a citizen of Oregon.

20.

Plaintiff Parra is the secondary member on the Costco membership purchased by his wife at an Oregon Costco location on April 30, 2026. The purchase was made from their shared family finances. He is a citizen of Oregon.

21.

Costco is a Washington corporation with its principal place of business in Issaquah, Washington.

22.

Costco conducts extensive business within the state of Oregon by operating 13 warehouse stores and conducting online sales to Oregon residents.

IV. The Oregon Unlawful Trade Practices Act

23.

The Oregon Legislature enacted the UTPA[4] in 1971 as "a comprehensive statute for the protection of consumers" from unlawful trade practices.[5] The UTPA authorizes enforcement by private plaintiffs and public prosecutors.[6]

24.

ORS 646.638(1) creates a private right of action for any person who suffers an "ascertainable loss" of money or property "as a result of" another person's willful use of a practice declared unlawful under ORS 646.608.

[4] ORS 646.605 to 646.656.
[5] *State ex rel. Redden v. Discount Fabrics, Inc.*, 289 Or. 375, 382 (1980).
[6] *Id.*

25.

The Legislature, intending that the UTPA's private right of action would ease traditional barriers to suit faced by defrauded consumers, established claim elements that are "much more easily shown"[7] than those of common-law fraud.

26.

An "ascertainable loss" includes even a loss "so small that the common law likely would reject it as grounds for relief" and need not be measured with precision.[8]

27.

A plaintiff establishes causation by showing that the loss occurred "as a result of" the unlawful practice. Depending on the theory of loss, a plaintiff need not allege or prove that the plaintiff saw or relied on the challenged representation.[9]

28.

ORS 646.608 identifies a nonexclusive list of unlawful trade practices. Among other conduct, the statute prohibits causing a likelihood of confusion or misunderstanding concerning the source, sponsorship, approval, or certification of goods or services; representing that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits, quantities, or qualities they do not have; and representing that goods or services are of a particular standard, quality, or grade when they are of another.[10]

---

[7] *Wolverton v. Stanwood*, 278 Or. 709, 713 (1977); *accord Goren v. SMA Hub, Inc.*, Case No. 3:24-cv-580, 2026 LX 470522, at *9 (D. Or. Aug. 3, 2026) (quoting *Wolverton*, 278 Or. at 713).
[8] *Weigel v. Ron Tonkin Chevrolet Co.*, 298 Or. 127, 135–36 & 134 n 4 (1984); *accord Pearson v. Philip Morris, Inc.*, 358 Or. 88, 117 (2015) (A loss is ascertainable if it is "capable of being discovered, observed, or established.").
[9] *See Bohr v. Tillamook County Creamery Ass'n*, 373 Or. 343, 365–68 (2025) (holding that premium-price and prohibited-transaction theories did not require pleading reliance).
[10] ORS 646.608(1)(b), (e), (g).

29.

ORS 646.608(1)(b) and (e) do not require proof that the challenged misrepresentation was material to the consumer's purchasing decision.[11]

30.

A plaintiff who establishes a willful violation may recover or obtain:

- actual damages or statutory damages of $200, whichever is greater;
- punitive damages;
- any equitable relief the court deems necessary or proper; and
- reasonable attorney fees and costs.[12]

31.

The Legislature created the UTPA's private right of action "to encourage private enforcement of the prescribed standards of trade and commerce in aid of the act's public policies as much as to provide relief to the injured party."[13]

32.

In a UTPA class action seeking statutory damages, plaintiffs must establish that the defendant acted recklessly or knowingly.[14] Upon that showing, statutory damages may be awarded

[11] *State ex rel. Rosenblum v. Living Essentials, LLC*, 371 Or. 23 (2023).
[12] ORS 646.638(1), (3).
[13] *Weigel*, 298 Or. at 134.
[14] ORS 646.638(8)(a); *see also In re Toyota RAV4 Hybrid Fuel Tank Litig.*, 534 F. Supp. 3d 1067, 1105 (N.D. Cal. 2021) (applying Oregon law) ("[T]he term 'willful,' for purposes of the [UTPA], requires no more than proof of ordinary negligence by a defendant in not knowing, when it should have known, that a representation made by him was not true." (citation modified) (quoting *Redden*, 289 Or. at 385)).

on a class-wide basis, with the $200 statutory minimum measured per class member rather than per transaction.[15]

V. Factual Allegations

A. Costco annual memberships offer shoppers a hand-selected suite of discounted bulk items and exclusive access to Costco's best-selling house brand, Kirkland Signature.

33.

Founded in 1983 in Seattle, Washington, today Costco is the third-largest retail sales company in the country, behind only Walmart and Amazon.[16] Costco is the second-largest seller of groceries and consumables in the United States.[17]

34.

Costco operates as a "warehouse club" retailer that requires shoppers to purchase annual memberships to access brick-and-mortar "warehouse" stores or shop on Costco's online e-commerce site. Costco's membership-based "warehouse club" competitors include Sam's Club (owned by Walmart) and BJ's Wholesale.

35.

Costco offers two tiers of membership to individuals and families: $65 for an annual "gold star" membership and $130 for an annual "executive" membership, which provides additional "cashback reward" options based on membership purchase volumes.[18] A single membership can be used by two members of a household.[19] Memberships can be purchased either at dedicated

---

[15] *See Scharfstein v. BP West Coast Prods., LLC*, 292 Or. App. 69 (2018) (affirming a $409.3 million statutory-damages award based on $200 for each of 2,046,500 class members).
[16] *Top 100 Retailers 2026 List*, National Retail Federation, https://perma.cc/4QZM-V5GS (archived Sept. 16, 2026).
[17] Julia Tabisz, *The PG 100: The 2026 Ranking of Top Food Retailers*, Progressive Grocer (May 11, 2026), https://perma.cc/N4V6-UFLC.
[18] *Join Costco*, Costco Wholesale, https://perma.cc/73K8-VF3Q (archived Sept. 16, 2026).
[19] *Member Privileges and Conditions*, Costco Wholesale (Mar. 30, 2026), https://perma.cc/V9C4-6CEH.

membership counters in Costco's brick-and-mortar warehouses or online through Costco's e-commerce site.[20]

36.

Costco's membership-based shopping model aims to offer shoppers a more limited selection of brands and products at a "wholesale" discount—in Costco's words, to "provide our members with a broad range of high-quality merchandise at prices we believe are consistently lower than elsewhere."[21] By generating over $5 billion in revenue annually from membership fees,[22] the company can take thinner margins on retail sales items and charge reduced "bulk" prices to members. Additionally, by limiting product selection to fewer brands per item class, Costco can pool massive purchase volumes to secure lower unit prices than competitor retailers.

37.

Alongside its limited selection of discounted name brand items, Costco also sells a suite of products under its popular "house brand" label, Kirkland Signature.[23] Items sold under that label—including popular sellers like gasoline, nuts, coffee, seafood, chocolate, dog food, bathroom tissue, olive oil, and peanut butter—make up approximately a third of Costco's total retail sales and generate over $90 billion in revenue for Costco annually.[24]

[20] *How do I sign up to join Costco and get a new membership?*, Costco Wholesale, https://perma.cc/D75S-BDFZ (archived Sept. 16, 2026).
[21] *2025 Form 10-K* ("10-K"), Costco Wholesale (Oct. 7, 2025), https://perma.cc/9GT4-YHL8.
[22] *Id.* at 26.
[23] *Kirkland Signature*, Costco Wholesale, https://perma.cc/6XUY-JSJK (archived Sept. 16, 2026).
[24] *Annual Meeting of Shareholders*, Costco Wholesale, at 23, 46 (Jan. 15, 2026), https://perma.cc/AG2Z-U6V2.

38.

As of August 2025, Costco operated 914 member warehouses and had over 81 million dues paying members.[25] In 2025, Costco's membership renewal rate was 92.3%.[26]

B. Costco's promotional materials promise membership purchasers that Costco prohibits child and forced labor by its suppliers, and enforces standards requiring supply chain transparency.

39.

In its promotional materials, Costco broadly represents to members—and to prospective members—that the products it hand-selects for sale are subject to standards and procedures prohibiting child and forced labor. Costco further represents that it can enforce those prohibitions because it maintains transparency and traceability throughout the products' supply chains.

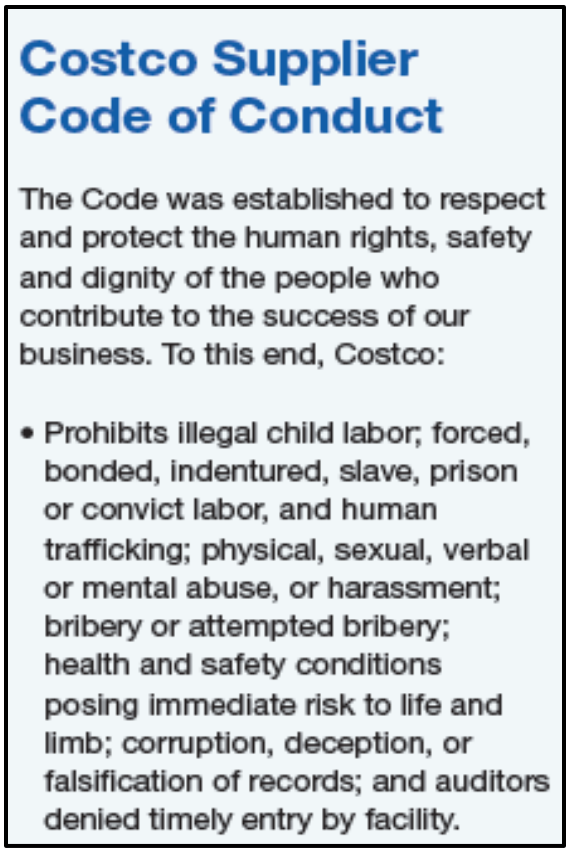
40.

More specifically, Costco tells members that it prohibits child and forced labor by requiring its suppliers to (1) submit the identity of their sub supplier facilities for Costco's consent, (2) maintain full source traceability of all ingredients and components in Costco merchandise, and (3) provide documentation identifying and supplying contact information for each facility involved in a Costco product's supply chain.[27] Costco further tells members that it audits suppliers for compliance with these standards and may sanction violations, up to and including terminating the supplier's contract.[28]

[25] 10-K, *supra* note 21, at 20, 26.
[26] *Id.* at 26.
[27] *Supplier Code of Conduct* ("Supplier Code"), Costco Wholesale, at 2 (Dec. 2023), https://perma.cc/LN3Q-HZTN.
[28] *Id.* at 9–10.

41.

Specifically, Costco's Sustainability Report states that Costco "[p]rohibits illegal child labor; forced, bonded, indentured, slave, prison or convict labor[;] and human trafficking[.]"[29] That statement mirrors Costco's Supplier Code of Conduct (the "Supplier Code"), which prohibits hazardous work for children under 18, any work for children under 14, and "forced, bonded and indentured labor."[30]



Costco Supplier Code of Conduct

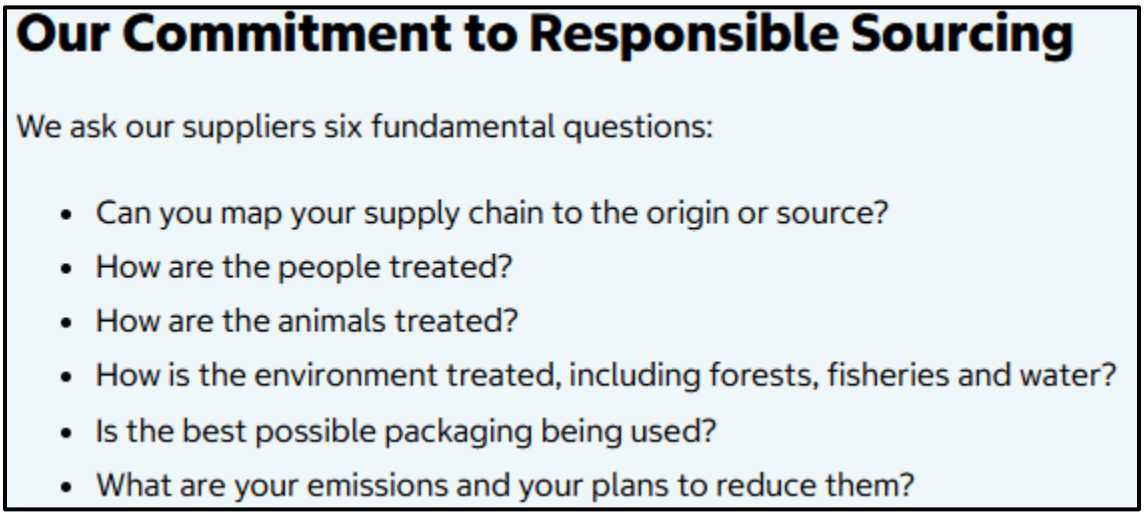
The Code was established to respect and protect the human rights, safety and dignity of the people who contribute to the success of our business. To this end, Costco:

- Prohibits illegal child labor; forced, bonded, indentured, slave, prison or convict labor, and human trafficking; physical, sexual, verbal or mental abuse, or harassment; bribery or attempted bribery; health and safety conditions posing immediate risk to life and limb; corruption, deception, or falsification of records; and auditors denied timely entry by facility.

[29] *2025 Annual Sustainability Report* ("Sustainability Report"), Costco Wholesale, at 22 (Nov. 2025), https://perma.cc/GEQ7-DJMB.
[30] Supplier Code, *supra* note 27, at 3; Sustainability Report at 22.

42.

To achieve this, Costco explains, product procurement involves a "six questions" process for all product suppliers, the first of which asks: "Can you map your supply chain to the origin or source?"[31]



43.

In its "Costco Connection" communications (a "magazine for members"), Costco explains that a supplier's answer to the first question—can the supplier trace its product's supply chain "to the origin or source"—"provides the foundation for all the rest."[32]

44.

Costco's Supplier Code outlines for members how Costco monitors the ingredient supply chain behind the finished, manufactured goods it sells; the policy compliance tools it uses; and the sanctions it applies for compliance failures.[33] The Supplier Code, Costco says, is derived from the

[31] *Sustainability: Products*, Costco Wholesale, https://perma.cc/ZUA3-64TB (archived Sept. 16, 2026).
[32] Sheri Flies, *Going to the source: Responsible sourcing starts well before the warehouse*, Costco Connection, at 10 (July 2025), https://perma.cc/52AD-Q2RU.
[33] Supplier Code, *supra* note 27.

International Labour Organization's ("ILO") Declaration on Fundamental Principles and Rights at Work and the United Nations' Universal Declaration of Human Rights.[34]

45.

The Code begins by telling members that Costco holds suppliers accountable for the full extent of their supply chains, requiring them to fully document and disclose the entities involved at every link in a Costco product's supply chain:

> Supplier is responsible for ensuring compliance with the Code throughout the Merchandise supply chain. Supplier shall maintain the ability to trace all components or ingredients of the Merchandise to their source, and upon request, provide to Costco the names, addresses, and contact information for each entity (including but not limited to Subcontractors and Home Workers) in the Merchandise supply chain.[35]

46.

Next, the Code tells members that Costco's suppliers are required to actually disclose, for Costco's consent and approval, the identities of all facilities participating in the creation of Costco sold products:

> All Facilities engaged in the production of Merchandise sold to Costco are required to be disclosed and approved by Costco. The failure to do so is considered Unauthorized Subcontracting.[36]

47.

To ensure that Costco can exercise its approval rights, the Code states that suppliers are required to maintain documentation and records establishing the identity and practices of all supply chain sub suppliers:

> The documentation necessary to verify compliance with the Code and with Applicable Laws and Regulations shall be maintained and available upon request of Costco or its agents. This requirement also applies to any employment agencies

[34] *Id.* at 1.
[35] *Id.* at 2.
[36] *Id.*

> used by the Facility. Documentation includes, but is not limited to licenses, permits, certifications, policies and procedures, and Employee and Facility records.[37]

48.

The Supplier Code additionally tells members that Costco will enforce its prohibitions through mandatory audits of suppliers and sub suppliers:

> Costco will conduct, or have conducted on its behalf, audits of production facilities and business practices in order to monitor Suppliers' commitment to the Code.[38]

49.

The Supplier Code finally states that a supplier's failure to comply can result in "immediate sanctions," including termination and summary cancellation of purchase orders.[39]

50.

Costco additionally promotes its responsible sourcing practices in its magazine, Costco Connection. Because Costco memberships are sold primarily to renewing members, Costco's communications with its members are an important way for it to advertise membership and create brand value. The statements include:

> In January 2023:
>
> > More people these days want to know what's behind the products they purchase. Were they responsibly produced, meaning was the land, sea or forest protected? How were the people who made them treated? Likewise, the animals? Is the packaging recyclable?
> >
> > Costco buyers ask these questions when they negotiate with suppliers, as our goal is to follow sustainable sourcing policies. This pertains to the popular branded products we offer, as well as our own Kirkland Signature™ items. Ideally, if everything is done right, the people, animals and the planet are not negatively affected by the goods that come into your house and to your table.[40]

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[37] *Id.*
[38] *Id.* at 1.
[39] *Id.* at 11.
[40] Sheri Flies, *Meeting our goals: Updated Sustainability Commitment shares our ongoing efforts*, Costco Connection (Jan. 2023), https://perma.cc/UZ37-B75L.

In January 2024:

[W]e are working hard to improve programs to support human rights in our supply chains. … To help us responsibly source goods, we ask our suppliers fundamental questions about people, animals and the environment.[41]

In July 2025:

Responsible sourcing starts well before the warehouse[.]

Typically, Costco warehouses offer more than 3,000 products, which we source from suppliers around the globe. These suppliers have a lot to manage: regulatory compliance, extreme weather, supply chain disruption and more. And, of course, there is the everyday business of providing us with high-quality products at the lowest possible price.

To keep focus on responsible sourcing practices amid all these factors, we ask our suppliers six foundational questions:
- Can you map your supply chain to the origin or source?
- How are the people treated?
- How are the animals treated?
- How is the environment treated, including forests, fisheries and water?
- Is the best possible packaging being used?
- What are your emissions and your plans to reduce them?

Suppliers' answer to the first question provides the foundation for all the rest.[42]

In September 2025:

[CEO] Vachris says Costco's mission—to continually provide members with quality goods and services at the lowest possible prices—and code of ethics (obey the law, take care of members and employees, and respect suppliers) are the two biggest factors in the development of Kirkland Signature items.

This standard is closely upheld by Costco buyers and development teams all over the globe.[43]

In January 2026:

As we grow, we recognize that our responsibility to operate in ways that are respectful to people, animals and the planet also grows.

---

[41] Sheri Flies, *Annual checkup: Our year in review shows progress in key areas*, Costco Connection, at 11 (Jan. 2024), https://perma.cc/X2VV-M67B.
[42] Flies, *Going to the source, supra* note 32, at 10.
[43] Dan Jones & Nick Cozzetto, *Signature celebration*, Costco Connection, at 4 (Sept. 2025), https://perma.cc/TEP7-5DKM.

…

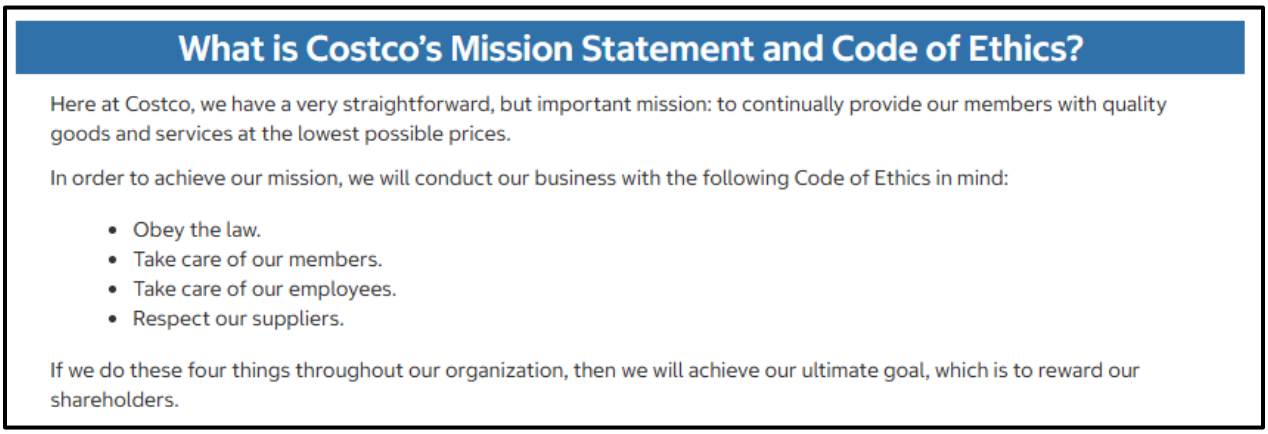
> Costco … work[s] to protect the human rights and safety of people in our supply chains.[44]

51.

Materials Costco uses to advertise its annual memberships include a brochure titled "Make the Most of Your Membership," available in printed form at the membership counter, along with a Code of Ethics, an annual Sustainability Report, and the Supplier Code.

52.

On its website, Costco displays the following code of ethics, which includes "[t]ake care of our employees" and "[r]espect our suppliers":[45]



What is Costco's Mission Statement and Code of Ethics?

Here at Costco, we have a very straightforward, but important mission: to continually provide our members with quality goods and services at the lowest possible prices.

In order to achieve our mission, we will conduct our business with the following Code of Ethics in mind:

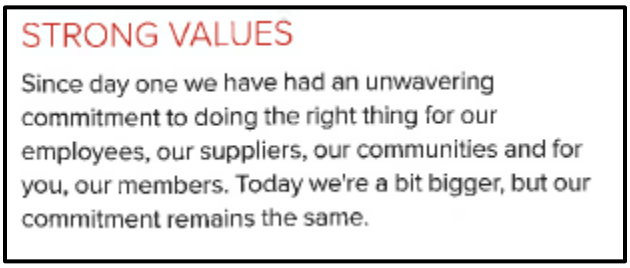
- Obey the law.
- Take care of our members.
- Take care of our employees.
- Respect our suppliers.

If we do these four things throughout our organization, then we will achieve our ultimate goal, which is to reward our shareholders.

[44] Sheri Flies, *Our journey continues: As Costco grows, so do our sustainability efforts*, Costco Connection, at 10 (Jan. 2026), https://perma.cc/B5NH-W7U3.
[45] *What is Costco's Mission Statement and Code of Ethics?*, Costco Wholesale, https://perma.cc/CYA6-J6FN (archived Sept. 16, 2026).

53.

In the "Make the Most of Your Membership" brochure, Costco promotes its brand "values" and the "value" of a Costco membership by referencing its "unwavering commitment to doing the right thing for our employees [and] our suppliers[.]"[46]


STRONG VALUES

Since day one we have had an unwavering commitment to doing the right thing for our employees, our suppliers, our communities and for you, our members. Today we're a bit bigger, but our commitment remains the same.

54.

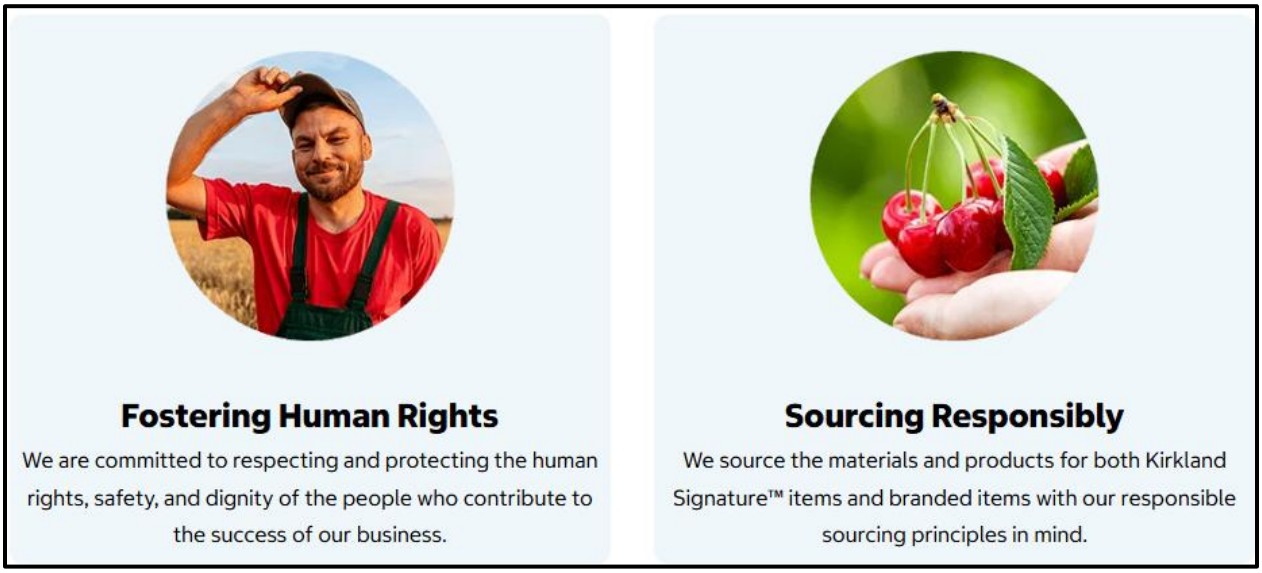
Costco's supposed commitment to treating people well is a pillar of its brand reputation. In an April 2025 interview with The Wall Street Journal, Costco founder and former CEO Jim Sinegal explained, "You can't say people are our most important product, and hang signs all over the place that say people are our most important product, and then treat them like shit."[47]

55.

Costco's claims do not solely apply to Costco's direct employees; they include all workers in Costco's supply chains, including agricultural workers. Costco's website states: "Costco is guided by our commitment to responsible sourcing. We strive to ensure that products we sell are

[46] *Make the Most of Your Membership*, Costco Wholesale, at 3 (2025) (on file with counsel).
[47] The Wall Street Journal, *Why Costco's Co-Founder Said 'No' to Kirkland Gas 8 Times*, at 6:12 (YouTube, Apr. 16, 2025), https://youtu.be/9RrIgCy6y4g?t=371 (on file with counsel).

produced using practices that are good for our members, our planet and our communities."[48] That webpage contains the following graphic:



56.

Costco's reference to "the people who contribute to the success of our business" alongside a picture of an agricultural worker in a field indicates that Costco is "committed to respecting and protecting the human rights, safety, and dignity" of the agricultural workers who cultivate the products Costco sells.

C. Costco tells members that it "controls every element" of Kirkland Signature items' production, and that all items have fully traceable supply chains.

57.

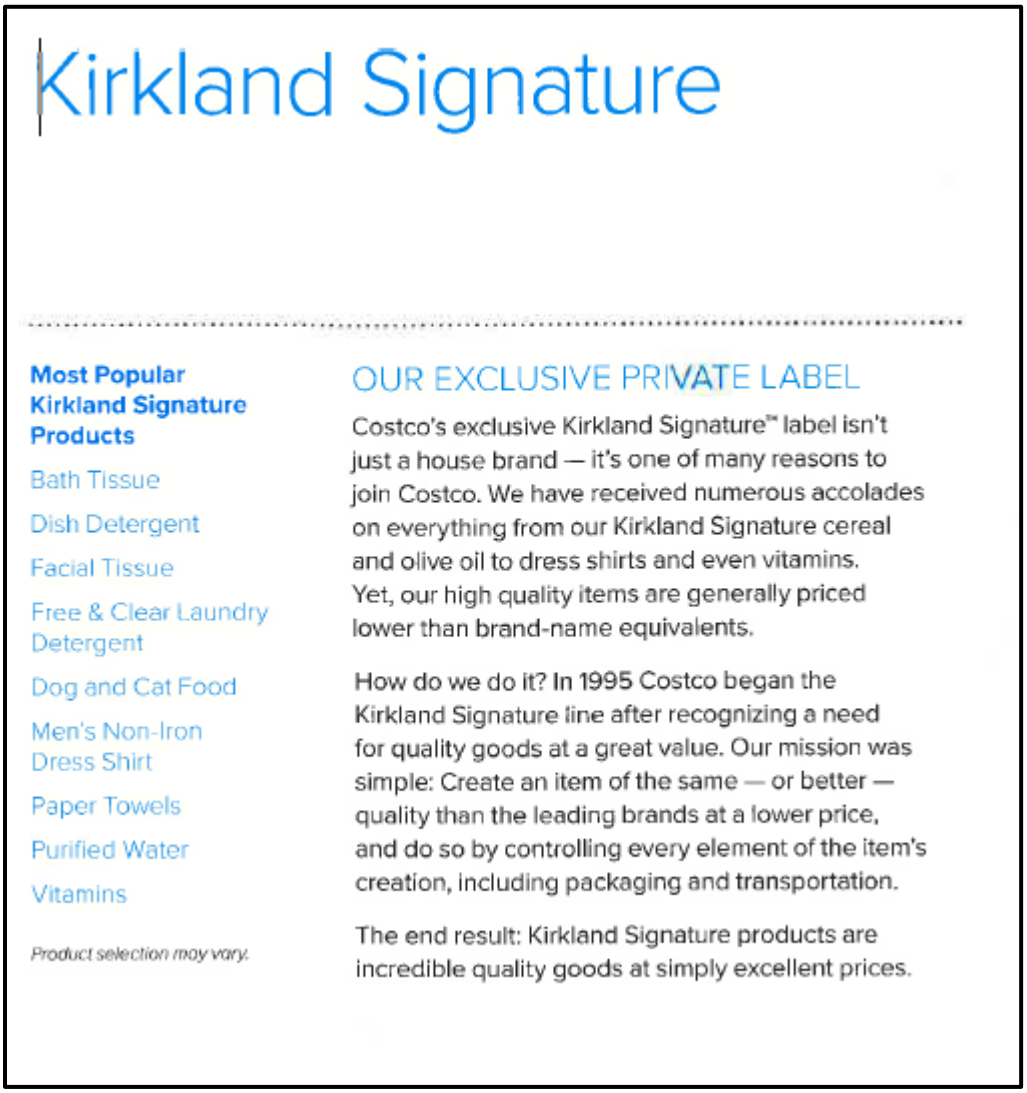
For its own "house brand," Kirkland Signature, Costco makes even more absolute claims. The company explains the brand to prospective members in its "Make the Most of Your Membership" brochure, calling it Costco's "Exclusive Private Label" and "one of many reasons to join Costco."[49]

[48] *Sustainability: Products, supra* note 31.
[49] *Make the Most of Your Membership, supra* note 46, at 11.

58.

The brochure reproduces Kirkland Signature original mission statement, which represents that Costco itself creates the items sold under the label and, by controlling every element of their creation, can ensure compliance with its standards at every stage of manufacturing:

> Our mission was simple: Create an item of the same—or better—quality than leading brands at a lower price, and do so by controlling every element of the item's creation, including packaging and transportation.[50]



Kirkland Signature

Most Popular Kirkland Signature Products

Bath Tissue
Dish Detergent
Facial Tissue
Free & Clear Laundry Detergent
Dog and Cat Food
Men's Non-Iron Dress Shirt
Paper Towels
Purified Water
Vitamins

Product selection may vary.

OUR EXCLUSIVE PRIVATE LABEL

Costco's exclusive Kirkland Signature™ label isn't just a house brand — it's one of many reasons to join Costco. We have received numerous accolades on everything from our Kirkland Signature cereal and olive oil to dress shirts and even vitamins. Yet, our high quality items are generally priced lower than brand-name equivalents.

How do we do it? In 1995 Costco began the Kirkland Signature line after recognizing a need for quality goods at a great value. Our mission was simple: Create an item of the same — or better — quality than the leading brands at a lower price, and do so by controlling every element of the item's creation, including packaging and transportation.

The end result: Kirkland Signature products are incredible quality goods at simply excellent prices.

[50] *Id.*

59.

Costco's CEO, Ron Vachris, promotes Costco's intimate insight into supply chains as part of the value of a Kirkland Signature product:

> Our buyers are very aware of the commodity inputs, the raw ingredients, that go into something. … I'm always quite impressed when [Costco's buyers] bring an item to me and the details that they know, down to the whole production of the item and why we produce it a certain way. … They know everything.[51]

60.

On its website for membership purchase, Costco lists "access to the high quality, exclusive Kirkland Signature products" as a key benefit of Costco membership.[52]

61.

Purchasing Kirkland Signature items, Costco explains, assures consumers that they are using products that comply with Costco's ethics and sustainability policies. Costco maintains a standalone webpage dedicated to "Kirkland Signature Sustainability" that discusses in depth the brand's compliance with these policies.[53]



[51] The Wall Street Journal, *Costco CEO Breaks Down How a Kirkland Product Gets Made*, at 4:21, 6:00 (YouTube, Apr. 10, 2025), https://youtu.be/MzLQufpiegk?t=260 (on file with counsel).
[52] *Join Costco, supra* note 18.
[53] *Sustainability: Kirkland Signature*, Costco Wholesale, https://perma.cc/32MV-VS4V (archived Sept. 16, 2026).

62.

The webpage explains that Costco can ensure that all ingredients and components comply with its prohibitions on child and forced labor because Costco itself creates the items. As the page begins:

> With our line of exclusive private-label products, Costco has a unique opportunity to create quality products that fulfill our sustainability commitment and our responsible sourcing principles.[54]

63.

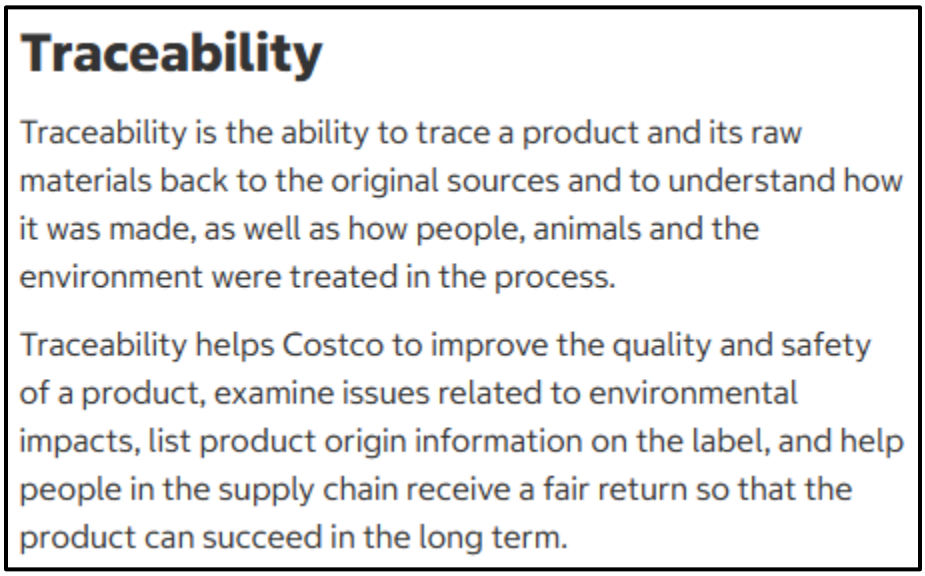
Costco's control over the production process, the page goes on to explain, gives Costco visibility into how its products get made from the origin of the supply chain:

> Our private-label brand helps us to meet that mission – and it also gives us an opportunity to focus on our sustainability goals right from the beginning of product development.
>
> While we strive to source all products responsibly, with Kirkland Signature™ Costco buyers have more direct insight into how people, animals and the environment are cared for at various points in the supply chain. That enables us to build responsible sourcing into Kirkland Signature product development long before products arrive at a warehouse.[55]

[54] *Id.*
[55] *Id.*

64.

Specifically, the page continues, Costco's creation of these products permits "traceability," which Costco describes as the ability to trace the raw materials in Kirkland Signature brand items "back to the[ir] original sources":[56]



Traceability

Traceability is the ability to trace a product and its raw materials back to the original sources and to understand how it was made, as well as how people, animals and the environment were treated in the process.

Traceability helps Costco to improve the quality and safety of a product, examine issues related to environmental impacts, list product origin information on the label, and help people in the supply chain receive a fair return so that the product can succeed in the long term.

65.

This level of "direct insight" into Kirkland Signature items' supply chains, Costco tells members, is what makes Costco's child and forced labor policies enforceable with respect to Kirkland Signature products:

> Because we have long-standing relationships with many of our private-label suppliers and are closely involved with the development of Kirkland Signature items, we have direct insight into the entire supply chain including the products' locations of origin, environmental impacts, labor conditions, packaging, and conditions under which the products are produced.
>
> While the Six Questions apply to all suppliers, we believe that Kirkland Signature has been a successful place to start, helping us test and learn.[57]

[56] *Id.*

[57] Sustainability Report, *supra* note 29, at 8.

D. Costco's promises to prohibit child and forced labor, and to ethically and sustainably source its products, have value to customers who purchase memberships.

66.

Costco does not present responsible sourcing merely as a charitable activity or an abstract corporate aspiration. It is advertised to members as part of the value they receive in exchange for paying an annual membership fee: access to a deliberately limited selection of goods that Costco represents it has selected, vetted, and subjected to uniform sourcing standards before offering them for sale.

67.

Costco communicates that value proposition through standardized marketing materials, including its membership brochure, membership-purchase and e-commerce website, Code of Ethics, Sustainability Report, Supplier Code of Conduct, Kirkland Signature sustainability webpages, and Costco Connection magazine. Costco distributes those materials nationally and uses them both to solicit prospective members and to promote renewal by existing members.

68.

In those materials, Costco links responsible sourcing directly to the relationship between Costco and its members. Its membership brochure describes Costco's "strong values," including its commitment to "doing the right thing" for suppliers, as part of the value of membership.[58] The brochure separately identifies exclusive access to Kirkland Signature products as "one of many reasons to join Costco."[59] Costco's membership purchase webpage likewise identifies exclusive access to Kirkland Signature products as a membership benefit.[60]

[58] *Make the Most of Your Membership, supra* note 46, at 3.
[59] *Id.* at 11.
[60] *Join Costco*, Costco Wholesale, https://perma.cc/73K8-VF3Q (archived Sept. 16, 2026).

69.

Costco further represents that its limited-selection model increases the value of membership. Rather than offering every product available in the market, Costco represents that it uses its purchasing power and centralized procurement process to select a limited suite of high-quality merchandise. Responsible sourcing, supply chain mapping, treatment of workers, supplier approval, and supplier compliance are among the criteria Costco publicly says its buyers apply in making those selections.[61]

70.

Costco repeatedly tells prospective and renewing members why they should pay Costco an annual membership fee rather than shop elsewhere. Costco does not market membership as merely a permission slip to enter a warehouse. Instead, Costco represents that membership gives consumers access to a curated portfolio of goods selected through Costco's own purchasing standards, supplier-governance requirements, facility-approval process, traceability requirements, sourcing policies, and Kirkland Signature development process. Through those representations, Costco communicates that important attributes of the membership product include not only access to merchandise, but access to merchandise that Costco has selected, approved, monitored, and governed according to the ethical sourcing and supply chain controls Costco describes in its membership-directed communications.

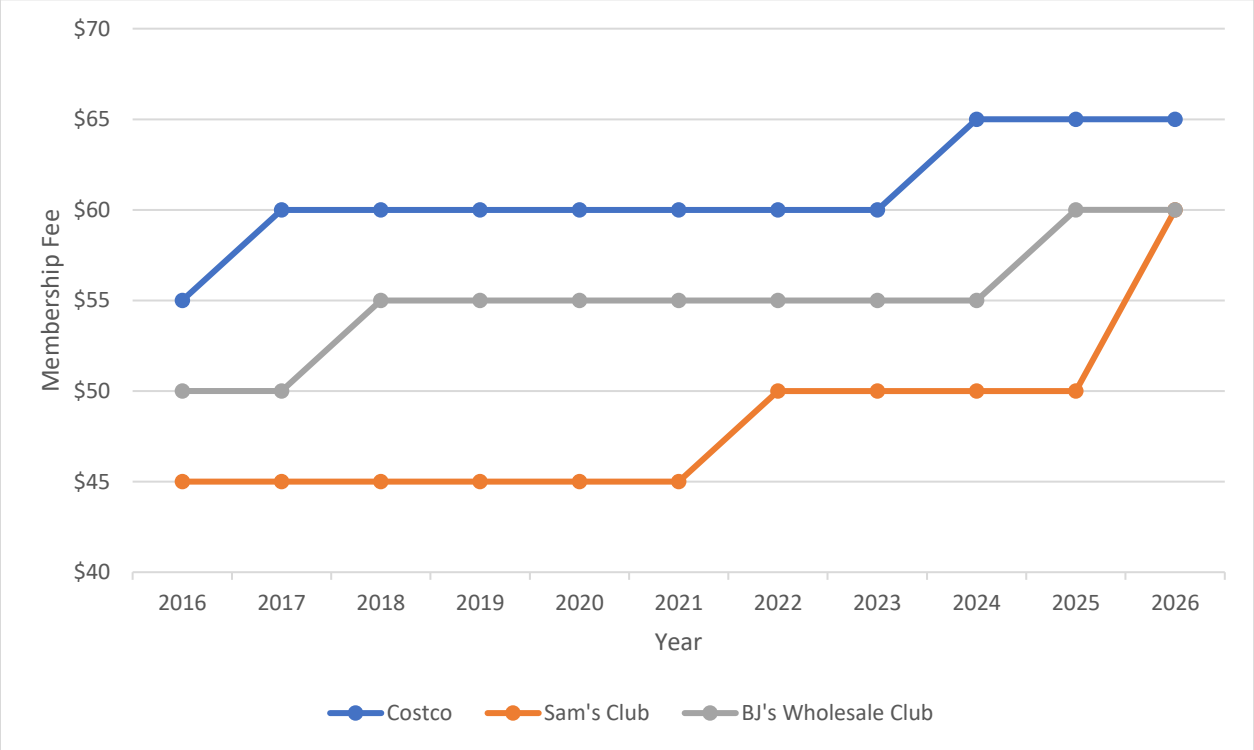
71.

Costco thus presents its paid membership as granting access to merchandise Costco has hand-selected and subjected to rigorous ethical sourcing standards.

[61] *See generally* Sustainability Report, *supra* note 29.

72.

Costco likewise presents its membership as offering greater value than memberships at competing warehouse clubs because it provides access to a Costco selected and Costco governed assortment of goods, including exclusive Kirkland Signature goods developed with heightened Costco involvement and supply chain insight. Consistent with that claimed distinction, Costco charges more for an annual membership than any of its warehouse club competitors. Costco's standard "gold star" membership, priced at $65 for 2026, is eight percent higher than comparable memberships at Sam's Club and BJ's Wholesale. Costco has consistently sustained a membership price premium over competitors for more than a decade:[62]



[62] *Costco Wholesale Corporation Reports Second Quarter and Year-to-Date Operating Results for Fiscal Year 2017, February Sales Results, and Plans for Membership Fee Increase*, Costco Wholesale (Mar. 2, 2017), https://perma.cc/4AMR-SCE5; *Membership Fee Increase*, Costco Wholesale, https://perma.cc/P57Z-FX4V (archived Sept. 16, 2026); WKRC, *Sam's Club raising annual membership fee; here's when and how much*, CBS Austin (Apr. 1, 2026 at 11:19 AM), https://perma.cc/D34D-SLZY; Doreen Christensen, *Free 90-day membership at BJ's Wholesale*

73.

Costco's own communications acknowledge the consumer demand to which its responsible sourcing representations are directed. As Costco recently told members in the "Costco Connect" magazine:

> More people these days want to know what's behind the products they purchase. Were they responsibility produced, meaning was the land, sea or forest protected? How were the people who made them treated?[63]

Costco also repeatedly publishes responsible sourcing content in Costco Connection, its magazine directed to Costco members.

74.

Independent consumer research confirms the market condition Costco itself identifies: Consumers place economic value on ethical sourcing, worker treatment, supply chain transparency, and the absence of child and forced labor. Consumers report avoiding brands associated with unethical labor practices and paying more for products represented to possess ethical sourcing attributes.

75.

Of note, consumer polling demonstrates that purchasers care about the existence of exploited labor practices in supply chains and are sensitive to the human cost behind products they buy. For example, one national survey found that "60% of consumers would stop using a product if they knew that human trafficking or Forced Labor was used to create it"[64] and "35 percent of

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Club, Chicago Tribune (May 31, 2019 at 8:52 AM), https://perma.cc/NW73-HVJB; *BJ's Wholesale Club Holdings, Inc. Announces Third Quarter Fiscal 2024 Results*, BJ's Wholesale Club (Nov. 11, 2024), https://perma.cc/7CZF-RRSX.

[63] Flies, *Meeting our goals, supra* note 40.

[64] *Certification Schemes: Why Fairtrade International, Rainforest Alliance and Others Are Failing Workers and Consumers*, Corp. Accountability Lab ("CAL") (Feb. 2, 2023), https://perma.cc/T9HX-VN6H.

consumers stop buying from brands they perceive as unethical even if there is no substitute available[.]"[65]

76.

Child labor is especially material to reasonable consumers. More than 75% of consumers said they were not likely to continue purchasing from clothing brands if they knew those brands were made with child labor.[66] Another survey commissioned by the National Consumer League

> confirmed that Americans seem concerned that the food they purchase is not tainted by child labor. Nearly 6 in 10 survey respondents—59 percent—disagreed that 'it is acceptable for a child under 14 to work for wages in the fields, harvesting produce to be sold in grocery stores.' An even larger percentage—67 percent—said that the U.S. should not import products made or harvested by children under the age of 14.[67]

77.

That research also demonstrates that responsible sourcing representations are economically valuable rather than merely moral or ideological. Products promoted through corporate responsibility claims have experienced greater sales growth than analogous products lacking those claims, and consumers report a willingness to pay increased prices for products represented or certified as ethically produced.

78.

Of note, consumers are increasingly prioritizing "more transparency from food producers and retailers" and "accountability and transparency through the entire food supply chain."[68] And

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[65] *56% of Americans stop buying from brands they believe are unethical*, MINTEL (Nov. 18, 2015), https://perma.cc/8SF2-5VQQ (citation modified).
[66] *Majority (55%) of Americans Willing to Pay More for Clothing Not Made Using Child Labor*, IPSOS (July 18, 2013), https://perma.cc/EMV7-DQQE.
[67] Reid Maki, *American Public: Young Farmworkers Deserve Equal Protection of Child Labor Laws—Consumer Survey Finds Americans Concerned about Youth Working in Ag*, The Child Labor Coalition (July 21, 2011), https://perma.cc/8CH3-K3KW.
[68] *Consumer survey shows changing definition of food safety*, Food Safety News (July 18, 2018, at 4:31 AM), https://perma.cc/BRW5-HCRE.

consumers are very willing to pay a price premium for such transparency and accountability. A McKinsey & Co. study analyzing U.S. sales data from 2017 to June 2022 found that products, including packaged coffee, with corporate responsibility advertising achieved disproportionate growth in sales compared to analogous products marketed without corporate responsibility claims.[69] And a 2009 study by political scientists at the University of Connecticut found that 75 percent of coffee buyers would pay 50 cents extra per pound (approximately 15% of the sale price) for coffee certified as ethically produced.[70]

79.

Costco knows that responsible sourcing and supply chain governance carry economic value because Costco expressly identifies consumer interest in those subjects and repeatedly addresses them in membership directed communications. Costco chooses to include those representations in materials promoting the value of membership and the Kirkland Signature brand rather than confining them to internal policies or regulatory disclosures.

80.

Costco's responsible sourcing representations help Costco create and maintain demand for its paid membership product, support renewal of that product, distinguish the product from competing retail options, and sustain the price at which Costco sells and renews memberships.

[69] *Consumers care about sustainability—and back it up with their wallets*, McKinsey & Co. (Feb. 6, 2023), https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/consumers-care-about-sustainability-and-back-it-up-with-their-wallets (on file with counsel).

[70] Shareen Hertel, Lyle Scruggs, and C. Patrick Heidkamp, *Human Rights and Public Opinion: From Attitudes to Action*, 124 Pol. Sci. Q. 443, 455 (2009), https://perma.cc/KAC2-JXAA.

81.

Costco sells memberships at standardized, publicly stated prices established by Costco. Although it offers more than one membership tier, the price and substantive rights associated with each tier are uniform among purchasers of that tier. Costco does not negotiate an individualized membership price based on a particular member's subjective reasons for joining.

82.

Upon information and belief, Costco establishes and periodically adjusts membership prices after evaluating the strength of the Costco brand, expected demand, renewal behavior, competitor pricing, and the suite of benefits and product attributes Costco communicates to members. Costco's brand reputation includes the trust Costco asks members to place in its product-selection and sourcing practices.

83.

Costco's own Code of Ethics recognizes the commercial significance of that trust, stating that members "have extended a trust to Costco by virtue of paying a fee to shop" with Costco.[71] Costco monetizes that trust through membership fees, which generate billions of dollars in annual revenue and are central to Costco's warehouse-club business model.

84.

Costco's responsible sourcing representations are therefore part of the collection of standardized attributes, benefits, and assurances Costco attaches to the membership product it sells. The economic value of those attributes is reflected in the market demand and price Costco is able to obtain for memberships.

[71] *Costco Code of Ethics, supra* note 2.

85.

If Costco were to accurately describe the limits and shortcomings of its practices, the membership product Costco offers would not possess all the attributes Costco publicly assigns to it.

E. In reality, Costco's disclosed practices do not provide the visibility, traceability, approval, and control that Costco represents to members, and Costco has actual notice of labor violations and material labor risks in identified supply chains.

86.

As discussed above, Costco affirmatively represents that it requires suppliers to be able to map product supply chains to their origins; that all facilities engaged in production must be disclosed to and approved by Costco; that suppliers must maintain traceability for all ingredients and components; that Costco audits production facilities; that Costco may sanction noncompliant suppliers; and that Costco has direct insight into the entire supply chain for Kirkland Signature products.

87.

But many products that Costco sells contain commodities with supply chains for which transparency is not possible without special traceability regimes. These commodities are initially sourced from many dispersed producers—such as small-scale farmers, miners, or fishers—whose fungible products are commingled by intermediate processors and traders such that the original producer—or even the country of origin—is unknowable. This is apparent from, for example, Costco's statement that its cashews come from 14 countries across two continents.[72] The existing supply networks for these products are built to facilitate trade, not to enable traceability. For many

[72] *See infra*, § V.E.2.b.

of the items it sells, Costco has not created the direct supply lines or traceability regimes that would give it the visibility into its supply chains that it claims to have.

88.

Costco sells numerous highly-popular consumer grocery products like chocolate, cashews, and frozen shrimp—including Kirkland Signature items—that it knows lack fully traceable supply chains. To the extent there is traceability, Costco knows that several of its supplier networks and sourcing programs contain documented child and forced labor incidents, conditions, or risks.

89.

The United States Department of Labor, Bureau of International Labor Affairs, publishes the List of Goods Produced By Child Labor or Forced Labor (the "Child or Forced Labor List"). As of its last update in September 2024, the Child or Forced Labor List includes 204 products from 84 different countries or regions.[73]

90.

Costco sells hundreds of products that are on the Child or Forced Labor List. For some of these items, including those containing cocoa, cashews, and frozen seafood, Costco has actual knowledge that their suppliers are using child or forced labor in violation of Costco's Supplier Code. For many others, Costco provides no explanation or certification that the items meet Costco's sourcing standards.

[73] *2024 List of Goods Produced by Child Labor or Forced Labor* ("Child or Forced Labor List"), U.S. Dep't of Labor (Sept. 5, 2024), https://www.dol.gov/sites/dolgov/files/ILAB/child_labor_reports/tda2023/2024-tvpra-list-of-goods.pdf (on file with counsel).

91.

If it chose to, Costco could abide by the standards and restrictions it promises shoppers. The company's own business model already limits brand selection at its stores to a narrower range of items than customers expect to see at conventional retailers like Walmart and Target. As a result, Costco could choose not to sell product classes it knows are tainted by child exploitation, or to stock more expensive versions of those products that align with Costco's supply chain traceability representations.

92.

But that would require the company to deprive itself of profit opportunities or to take smaller margins on safe, untainted products. Costco chooses not to do that. Instead, Costco takes affirmative steps to conceal its problematic supplier relationships from shoppers while blanketing its member with promotional materials containing broad pledges about sustainable and ethical sourcing.

1. Costco uses "private labelling" to conceal child labor issues behind its Kirkland Signature brand products.

93.

Costco's false promises about supply chain traceability are illustrated by a series of local child and forced labor scandals involving the Kirkland Signature brand that the company has recently concealed from shoppers.

94.

Costco tells members it "create[s]" the products it sells under the Kirkland Signature label and "control[s] every element of the[ir] creation."[74] It claims to maintain "direct insight" into its supply chains, including "labor conditions … and conditions under which the products are

[74] *Make the Most of Your Membership, supra* note 46, at 11.

produced."[75] These claims are deeply misleading. Nearly all Kirkland Signature products that Costco sells are not really made by Costco, and Costco does not own or control the processing or manufacturing facilities where they are produced. Rather, Costco contracts with existing manufacturers of well-known, name-brand items to make products that Costco simply purchases in bulk and re-sells under its own house label, a practice known as "private labelling."

95.

As a result, Costco does not maintain "direct insight" into the supply chain behind these products and cannot guarantee "traceability" of the raw materials and ingredients used in Kirkland Signature products that are made by other, name-brand manufacturers it does not control.

96.

Many of the products that Costco sells as Kirkland Signature items are, in reality, just "private label" goods that are produced and sold elsewhere, under name brand labels, in the same form. For example, one of the brand's top selling items, Kirkland Signature batteries, are in reality manufactured by the largest name brand maker of alkaline batteries, Duracell.[76] The Kirkland Signature brand batteries are the same batteries consumers can buy elsewhere under the Duracell label.

97.

Costco does not, as it tells members, "control every element" of battery creation within Duracell's manufacturing process. Costco simply buys the finished product and re-labels it as a Kirkland Signature product.

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[75] Sustainability Report, *supra* note 29, at 8.
[76] Clark Howard, *Costco CEO shares tips with Clark Howard to help you save money*, WSB-TV (Nov. 11, 2016 at 11:36 AM), https://perma.cc/3G6Z-DXQW.

98.

Costco closely guards the identity of its Kirkland Signature suppliers in order to conceal these "private label" supplier relationships from members. When asked to identify its suppliers in litigation, Costco has claimed that their identities are a "protectable trade secret" exempt from disclosure.[77] And Costco makes considerable efforts to maintain the secrecy of its Kirkland suppliers list: Costco employs a separate subsidiary company to make secondary market purchases to prevent company employees from sharing supplier identities with each other, and it keeps purchase orders with supplier-identifying information in a separate software system that restricts access to specific employees.[78]

99.

A number of those name brand products that Costco has "privately labeled" as Kirkland Signature items have been, in recent years, the subject of scandal, legal action, or investigatory reporting that revealed the existence of child or forced labor in their supply chains. But Costco shoppers, buying the products under the Kirkland Signature label, have no way of knowing the products are tainted. The products' reliance on child and forced labor, and Costco's own falsehoods about its ability to trace supply chains, remain hidden under the Kirkland Signature label.

a. The concealed child labor scandal behind Kirkland Signature dog food

100.

One example is Kirkland Signature's popular "adult formula" dry dog food. Although Costco declines to confirm it, product recall information shows that Kirkland Signature dog food

[77] *Citizens of Humanity, LLC v. Costco Wholesale Corp.*, 171 Cal. App. 4th 1, 7 (2009).
[78] *Id.* at 14.

is in reality made by Diamond Pet Foods (owned by Schell & Kampeter, Inc.),[79] which sells a substantially similar product under its own name brand label, Diamond Naturals.

101.

Kirkland Signature dog food is not—as Costco tells its members—"created by" Costco, and Costco does not and cannot have "direct insight" into the supply chain where Diamond Pet Foods and its suppliers obtain their raw materials and ingredients. Costco, as a result, has no ability to deliver on its promise to members that it will "prohibit child labor" within Diamond Pet Foods' supply chain.

102.

This was demonstrated clearly by an enforcement action brought by the United States Department of Labor, Wage & Hour Division, in the spring of 2024.[80] That investigation revealed that Fu Qian Chen Lu, the owner of a ring of chicken processors that included L & Y Food, Inc.; Moon Poultry, Inc.; and JRC Culinary Group, Inc., had employed oppressive child labor at his companies' poultry processing plants in Irwindale, California.

103.

As investigators revealed, Lu and his co-defendants supplied chicken for dog food manufactured by Diamond Pet Foods, the maker of Kirkland's dog food.[81]

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[79] *Diamond Pet Foods Expands Voluntary Recall of Dry Pet Food Due to Potential Salmonella Contamination*, U.S. Food & Drug Administration (May 5, 2012), https://perma.cc/Z93P-CU74.

[80] Compl. for Inj. of Shipment of Hot Goods and Emp. of Oppressive Child Labor Under the Fair Labor Standards Act, *Su v. L & Y Food, Inc.*, Case No. 2:24-cv-02606 (C.D. Cal. Mar. 30, 2024), ECF 1.

[81] *Department of Labor Finds Children Employed Illegally in Dangerous Jobs, Obtains $4.8M in Wages, Damages for Poultry Industry Workers in California*, U.S. Dep't of Labor (May 2, 2024), https://perma.cc/NL5Q-SE8G.

104.

The Labor Department's investigation discovered children as young as 14 years old working in poultry processing at the enterprise.[82] Court filings described the labor conditions at the facility, saying that instead of being in school, children were made to "stand on their feet all day in a chilled cutting room surrounded by raw chicken, using knives they must constantly sharpen, to cut and debone chicken."[83] When the company learned it was under investigation by the Labor Department, it threatened its workers with retaliation if they cooperated with investigators, using derogatory slurs and warning them that they were putting the "noose around their own necks."[84]

105.

The investigation was widely publicized and the resolution was one of the largest child labor settlements ever achieved by the Department. Lu and his co-defendants ultimately agreed to pay $4.8 million in damages to 476 workers and to forfeit $221,919 in penalties for Fair Labor Standards Act violations.[85]

106.

Costco, which has never publicly admitted that its "house brand" dog food is made by Diamond Pet Foods, has never revealed to Costco members that Diamond Pet Food's poultry supplier employed child labor or that it was involved in a widely reported public scandal.

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[82] *Id.*
[83] Mem. P. & A. Supp. Secretary's Appl. for TRO and Order to Show Cause, *L & Y Food*, Case No. 2:24-cv-02606, at 1:16–18 (C.D. Cal. Mar. 30, 2024), ECF 4-1.
[84] *Department of Labor Finds Children Employed Illegally in Dangerous Jobs, supra* note 82.
[85] *Id.*

107.

Instead, Costco continues to represent to members and prospective members that, by "controlling every element of [Kirkland Signature dog food's] creation" itself, Costco has "direct insight" into the product's supply chain and can "prohibit" child labor therein.

108.

Costco's secrecy concerning its Kirkland Signature suppliers prevents members from evaluating whether Costco's actual sourcing practices conform to the standardized attributes Costco assigns to Kirkland Signature products and Costco membership. The Diamond Pet Foods supply chain illustrates that Costco continued to market uniform assurances of control, visibility, and child labor prohibition despite public information inconsistent with those assurances.

109.

By privately labelling Diamond Pet Food products as "Kirkland Signature" products while withholding the manufacturer's identity, Costco obscures information material to whether its actual sourcing practices match its uniform representations that Costco creates Kirkland Signature products, controls every element of their creation, maintains supply chain visibility, and prohibits child labor.

110.

Because Costco conceals the identity of the manufacturer and the relevant supply chain information, the membership and Kirkland Signature attributes Costco delivers do not match the standardized attributes Costco represents: Costco does not create the product, does not control every element of its creation, and cannot substantiate the represented level of supply chain visibility and child labor prevention.

111.

Costco instead continues to represent uniformly that it "control[s] every element" of the product's creation and "prohibit[s] child labor" in its supply chains, even though its actual relationship with the manufacturer and its knowledge of the supplier network do not support those representations.

b. The concealed child labor scandal behind Kirkland Signature milk.

112.

Another example is Kirkland Signature brand milk. As with dog food, Costco does not actually own or operate any dairy farms, processing facilities, or bottling plants. Kirkland Signature milk is not, as Costco says, "created" by Costco.

113.

Instead, Costco purchases processed and packaged milk from regional commercial dairies. Here in the Pacific Northwest, Kirkland Signature milk is really just milk that is sourced, processed, and packaged by the largest local name brand producer, Darigold (which also creates the Lucerne brand milk sold by the Safeway supermarket chain). For Oregonian Costco members, Kirkland Signature milk is just the same Darigold milk that is available in any other grocery store.

114.

Costco accordingly does not "control[] every element" of Darigold milk's creation. Indeed, Darigold itself recently admitted that this is not possible.

115.

In late 2023, the New York Times published an investigative report revealing that underage migrant labor was being used on member farms belonging to the Northwest Dairy Association, the

dairy farm collective that supplies all of Darigold's milk.[86] The report detailed the compromised and inadequate audit efforts used at Darigold's bottling plant—and the lack of any inspections whatsoever at the dairies—which had failed to identify and prevent child labor issues. Darigold responded to the report by saying that it was unaware of any child labor issues on the farms that supply the Northwest Dairy Association and disclaiming responsibility, stating that "it is important to note that neither Darigold nor NDA own or operate any farms."[87]

116.

Costco was aware of the scandal and, just a month later, the New York Times reported that Costco planned to respond by "commissioning more audits with Spanish-speaking inspectors."[88]

117.

Costco did not, however, disclose the scandal to its members or prospective members. Costco did not tell members or prospective members that the Kirkland Signature milk products on its shelves, which elsewhere it claims to "create," are really just Darigold milk.

118.

Instead, Costco continues to tell members and prospective members that Kirkland Signature products have value because Costco can achieve full "traceability" of their supply chains by "controlling every element of [their] creation." But this promise is false, as the Kirkland Signature milk demonstrates. When the press revealed that child labor had contributed to its

[86] Hannah Dreier, *They're Paid Billions to Root Out Child Labor in the U.S. Why do they Fail?* New York Times (Dec. 28, 2023), https://www.nytimes.com/2023/12/28/us/migrant-child-labor-audits.html (on file with counsel).
[87] *Darigold responds to migrant child labour allegations within US supply chains*, Business and Human Rights Center (Jan. 9, 2024), https://perma.cc/G7ZF-WVBU.
[88] Hannah Dreier, *Confronted With Child Labor in the U.S., Companies Move to Crack Down*, New York Times (Feb. 7, 2024), https://www.nytimes.com/2024/02/07/us/child-labor-us-companies.html (on file with counsel).

production, even Darigold, who had supplied and packaged the milk for Costco, admitted that it is not possible to have full control or visibility into their product's supply chain.

2. For years, Costco has stocked and sold products with established, well-documented child and forced labor problems in their supply chains.

119.

Costco uses these same deceptions to whitewash brands and products it knows are tainted, including those from brand manufacturers and regions that have well-established or self-admitted child and forced labor problems in their supply chains.

120.

Costco's Supplier Code tells members that Costco prohibits "[i]llegal child labor," including "work with … dangerous machinery, equipment and/or tools [and] night work or other comparable activity," and claims to hold Costco suppliers accountable—through a system of documentation requirements, audits, and sanctions—for being able to trace their products' supply chains "to their source[.]"[89] Costco promises members that it requires its suppliers to make any sub suppliers known so that the entire supply chain can be "disclosed to and approved by Costco."[90] Failure to comply with these requirements, Costco says, can result in "immediate sanctions."[91]

121.

While convincing members they can trust Costco's brand and rely on the company's assurances, Costco nonetheless routinely sells name brand items from product classes like chocolate, cashews, and frozen seafood, which Costco knows have tainted supply chains and are made or sold by producers and manufacturers it cannot hold to the standards it promises members.

[89] Supplier Code, *supra* note 27, at 2–3, 10.
[90] *Id.* at 2.
[91] *Id.* at 11.

a. Costco sells chocolate products made with cocoa it knows was farmed by child laborers.

122.

Chocolate and the cocoa bean illustrate the failures of Costco's sourcing practices, because (1) the problem of child labor in the West African cocoa industry is well documented and well understood, (2) cocoa sources exist that are free of child labor, and (3) the relative wealth of information about cocoa supply chains in general—and Costco's in particular—allow public visibility into Costco's failure. Costco sells approximately 150 products containing cocoa under the Kirkland Signature label and other brand names.[92]

i. Chocolate from West Africa has a well-known child labor problem.

123.

The global cultivation of cocoa, the essential ingredient in chocolate, centers in the West African nations of Ghana and Côte d'Ivoire.[93] Ghana produces approximately 20% of the world's cocoa and Côte d'Ivoire produces approximately 40%.[94]

124.

Child labor is a major problem in cocoa cultivation in Ghana and Côte d'Ivoire, with millions of children laboring on small cocoa farms, including using machetes to harvest and open cocoa pods (all cocoa must be harvested by hand), carrying heavy loads, and applying agricultural chemicals.[95]

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[92] *See* Appendix A.
[93] Allie Brudney & Reynolds Taylor, *"There will be no more cocoa here": How Companies Are Extracting the West African Cocoa Sector to Death*, CAL, at 10 (Sept. 2023), https://perma.cc/W2EE-X8VM.
[94] *Id.*
[95] *Id.* at 26.

125.

The structure of the West African cocoa supply chain presents substantial obstacles to the product level traceability Costco represents as part of its membership value. Cocoa commonly passes from numerous small farmers through local buyers and cooperatives to large traders and exporters before it reaches a manufacturer.[96] The commingling and aggregation that occur during that process can break or obscure the chain of custody unless cocoa is sourced through a verified and segregated system.

126.

Those structural features are not merely industry wide obstacles; they are reflected in Costco's own supplier disclosures and explain why Costco cannot substantiate its representations of product level traceability and segregation. The sourcing process in Ghana and Côte d'Ivoire illustrates how cocoa is aggregated and commingled before reaching Costco's suppliers.

127.

In both Ghana and Côte d'Ivoire, many transactions occur between farming and exporting cocoa. Farmers sell to local buying cooperatives, which are licensed by the government, or to informal and unlicensed buyers.[97] In Ghana, where the industry is more heavily regulated, the government buys all cocoa and sells it to large cocoa traders such as Olam, Cargill, and Barry Callebaut.[98] In Côte d'Ivoire, local traders can sell to those cocoa exporters directly.[99] Either way, those companies control the export of cocoa from West Africa to Europe and the United States.

[96] *Id.* at 11–15.
[97] *Id.* at 10–15.
[98] *Id.* at 14.
[99] *Id.* at 12.

128.

The broad base of the cocoa supply chain (millions of smallholder farmers in Côte d'Ivoire and Ghana) that concentrates to just a few exporters, and the informal transactions between famers and local buyers, make tracing bulk cocoa to its individual farms of origin all but impossible.[100]

129.

Nearly all West African cocoa is processed into chocolate in Europe and the United States, where it is sold by major brands such as Hershey's, Nestlé, Mars, Mondelez, and Unilever.[101] Ghana and Côte d'Ivoire "dominate the market for cocoa used to produce bulk chocolate, which is the chocolate used in most chocolate products, including chocolate bars, chocolate chips, cookies, and ice cream."[102] Thus, chocolate supplied from a major chocolate company without an effective traceability regime is virtually certain to contain cocoa from Ghana and Côte d'Ivoire.

130.

The prevalence of child labor in the West African cocoa industries—and the multiple opaque transactions by which a handful of international suppliers export a significant portion of the world's cocoa from West Africa—mean that if chocolate is not sourced from a segregated supply chain, it is virtually certain to contain cocoa that is the product of child labor.

131.

Child labor is illegal in Ghana and Côte d'Ivoire under local law.[103]

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[100] *See, e.g., Supplementary Sustainability Disclosures 2025*, Olam Group, at 17 (2025), https://perma.cc/FJE7-DCHU ("Given the scale and structure of our supplier base, which is primarily comprised of smallholders, it is not commercially practical to disaggregate data specifically for new suppliers screened using social criteria.").
[101] Brudney & Taylor, *supra* note 93, at 15.
[102] *Id.* at 10.
[103] *See* Matthew Trevisani, *Cocoa Crisis: Cartelizing West African Coca in Response to the Persistent Use of Child Labor*, 24 Chicago J. Int'l L. 477, 482–86 (2024) (describing Ghanaian and Ivorian child labor laws).

132.

After reports of child labor and child slavery in the cocoa industry received major attention in 2000, United States Senator Tom Harkin and Representative Eliot Engel created the Harkin-Engel Protocol, a voluntary public-private agreement to end the worst forms of child labor in cocoa production in certain areas.[104]

133.

Under the Protocol and later agreements, the United States government commissioned field surveys in Ghana and Côte D'Ivoire by Tulane University during the 2008–09 and 2013–14 cocoa harvest seasons.[105] The Department of Labor also awarded a contract to conduct a survey during the 2018–19 season to the National Opinion Research Center (NORC) at the University of Chicago.[106] In October 2020, NORC published its report (the "NORC Report").[107]

134.

The NORC Report shows that child labor remains a major problem in Ghana and Côte d'Ivoire:

- In the 2018–19 season, 790,000 children in Côte d'Ivoire and 770,000 in Ghana were engaged in child labor in cocoa production.[108]

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[104] *U.S. Labor Department Funds Project to Evaluate Effectiveness of Anti-Child-Labor Efforts in the Cocoa Industry*, U.S. Dep't of Labor (Oct. 3, 2006), https://perma.cc/2NV6-KRSH.
[105] *Id.*; *Survey Research on Child Labor in West African Cocoa Growing Areas*, Payson Ctr. for Int'l Dev., Tulane Univ. Sch. of Pub. Health, at 4 (July 30, 2015), https://www.dol.gov/sites/dolgov/files/ilab/research_file_attachment/tulane%20university%20-%20survey%20research%20cocoa%20sector%20-%2030%20july%202015.pdf (on file with counsel).
[106] Santadarshan Sadhu et al., *NORC Final Report: Assessing Progress in Reducing Child Labor in Cocoa Production in Cocoa Growing Areas of Cote d'Ivoire and Ghana*, NORC at the Univ. of Chicago, at 1 (Oct. 2020), https://perma.cc/42SB-P8KV.
[107] *See generally id.*
[108] *Id.* at 10.

- Of those, 770,000 children in Côte d'Ivoire and 710,000 in Ghana were exposed to at least one component of hazardous child labor under the definition used by the ILO (and adopted by Costco).[109] Hazardous child labor means exposure to at least one of the following: land clearing, carrying heavy loads, exposure to agro-chemicals, sharp tool use, long working hours, or night work.[110]

135.

The surveys also showed that in the ten years from 2008–09 survey to the 2018–19 survey, the prevalence of child labor *increased* in both countries.[111]

136.

The causes of child labor in West African cocoa production are complex and include:

- Cocoa farming is seasonal and labor intensive, making employment of full-time workers difficult;
- Cocoa prices are low, making hired adult labor unaffordable;
- Cocoa farmers live in poverty, so families require children to earn money rather than attend school to contribute to household income;
- Most cocoa is grown on small family farms, where labor relations are not subject to direct oversight by a corporation; and
- Schools and child care are often not available.

At root, low prices paid to cocoa farmers are a significant causal factor in child labor.[112]

[109] *Id.*; *see also* Supplier Code, *supra* note 27, at 3.
[110] Sadhu et al., *supra* note 106, at 8–9.
[111] *Id.* at 12.
[112] Brudney & Taylor, *supra* note 93.

137.

Major cocoa traders monitor and intervene in child labor through Child Labor Monitoring and Remediation Systems ("CLMRS").[113] CLMRS are a framework developed in the 1990s by the ILO.[114] A CLMRS program cannot, and is not designed to, stop child labor. Rather, CLMRS "identify children in or at risk of child labor, provide support to improve their situation, and follow their progress over time."[115] CLMRS materials emphasize that root causes of child labor, such as low farmer incomes, must be addressed to solve child labor.[116]

138.

CLMRS consist of three activities: identifying children in or at risk of child labor, providing support, and following up. This is accomplished through CLMRS agents, who visit farms and homes, and a database that helps monitor children and plan effective interventions.[117]

139.

About half of the households growing cocoa in Ghana and Côte d'Ivoire cocoa industry are covered by a CLMRS program; half are not part of any monitoring or remediation program.[118]

ii. Costco's suppliers admit child labor use that Costco tells members it "prohibits."

140.

Costco could avoid child labor in Kirkland Signature cocoa products by sourcing from regions where it is uncommon (such as Latin America) or by using segregated, traceable, third-party certified supply chains. In addition, Costco could avoid stocking chocolate products from

[113] *CLMRS Manual*, Int'l Cocoa Initiative, at 5 (Sept. 2025), https://perma.cc/WUP9-WKST.
[114] *Id.*
[115] *Id.* at 8.
[116] *Tackling child labor in cocoa: Results of ICI's Member Reporting Exercise 2024*, Int'l Cocoa Initiative, at 6 (July 2025), https://perma.cc/E9L7-4PT3.
[117] *CLMRS Manual, supra* note 113, at 11–17.
[118] *Tackling child labor in cocoa, supra* note 116, at 3.

other companies who source cocoa from regions where child labor is a pervasive problem and supply chain traceability is impossible. Costco therefore could use alternative cocoa supply chains that would not contradict the representations expressed to customers.

141.

Instead, Costco warehouses shelve chocolate products from, among others, Hershey, Nestlé, and Mars. Costco partners with Olam Food Ingredients ("OFI"), an Olam subsidiary, to source cocoa for its Kirkland Signature chocolate products. Those companies, while claiming to oppose and combat child labor in Côte D'Ivoire's cocoa fields, nonetheless all publicly acknowledge that widespread child labor still exists in their supply chains.

142.

Hershey is the fifth-largest manufacturer of chocolate products in the world.[119] It relies on child labor in West Africa to produce its chocolate. For example, as part of its CLMRS process, Hershey monitors its supplier farms in Côte D'Ivoire and Ghana.[120] In its 2025 Responsible Business Report, Hershey reported 11,670 children identified via CLMRS in Côte d'Ivoire and Ghana "doing inappropriate work" on actively monitored supplier farms.[121]

143.

Nestlé, one of the largest food and beverages companies in the United States, is one of the largest purchasers, manufacturers, and retail sellers of cocoa products in the world.[122] It also relies on child labor in West Africa to produce its chocolate. According to Nestlé's CLMRS reporting,

[119] Donna Eastlake, *Biggest confectionery companies 2026 announced*, Confectionery News (Jan. 14, 2026 at 9:56 AM), https://perma.cc/S2FS-CU5Y.
[120] *The Hershey Company: 2025 Responsible Business Report*, Hershey, at 6 (2026), https://perma.cc/3WDA-AAQG.
[121] *Id.* at 24.
[122] Eastlake, *supra* note 119.

52,456 children in Ghana and Côte d'Ivoire received support through Nestlé's CLMRS program in 2025.[123] In 2024 and 2025, 11,431 children reported that they were no longer engaged in "potentially hazardous activities" due to Nestlé's CLMRS.[124]

144.

Mars, Inc., is one of the largest buyers of cocoa in the world.[125] It relies on child labor in West Africa to produce its chocolate. In 2024, Mars suppliers ran CLMRS programs for 196,797 at-risk households in West Africa, representing 86% of the cocoa by volume that Mars purchased from the region.[126] In 2023, CBS News obtained a list of children that Mars' CLMRS program identified as no longer engaged in child labor and found many of them still working on cocoa farms.[127] Field supervisors responsible for conducting CLMRS programs reported falsifying and fabricating data.[128] This report of fraud supports other findings that CLMRS programs and child labor reporting in general are unreliable.[129]

[123] *Non-Financial Statement 2025*, Nestlé, at 116 (2026), https://perma.cc/T7AA-558F.
[124] *Id.*
[125] Eastlake, *supra* note 114.
[126] *Cocoa for Generations 2024 Progress Report*, Mars, at 3 (2025), https://perma.cc/683Y-74Z7.
[127] Debora Patta et al., *Candy company Mars uses cocoa harvested by kids as young as 5 in Ghana: CBS News investigation*, CBS News (Nov. 29, 2023 at 7:58 PM), https://perma.cc/3J4V-SRLK.
[128] *Id.*
[129] *See, e.g., Effectiveness Review of [CLMRS] in the West African Cocoa Sector*, Int'l Cocoa Initiative, at "Analysis Part A" (Jul. 2021), https://perma.cc/LT9R-ST3P ("On average, the rates of hazardous child labour cases identified under CLMRS are substantially lower than the rates of child labour prevalence in cocoa production in Côte d'Ivoire and Ghana[.]"); Sarosh Kuruvilla, *Private Regulation of Labor Standards in Global Supply Chains* 9–10 (2021) (noting poor auditor training, fraud, bribery, and record falsification as some of the "myriad problems in auditing … explaining the failure of private regulation").

145.

Olam, one of Costco's sources for cocoa beans for its Kirkland Signature chocolate items, likewise has well-documented child labor problems in its supply lines. In 2021, Olam was sued, alongside several other major chocolate manufacturers, by eight Malian children who had been lured from their homes and trafficked to Côte d'Ivoire to work as slaves in the cocoa fields.[130] The case was ultimately dismissed by the United States Circuit Court of Appeals for the District of Columbia because the plaintiffs couldn't directly trace their work on specific farms to individual manufacturers.[131] But Olam itself, while marketing its child and forced labor prevention efforts to consumers, admits that it still relies broadly on child labor to produce its chocolate. In the company's 2023 "Cocoa Compass" impact report, Olam admitted that its supplier farm audits revealed 11,700 child workers, a total increase of sixty-eight percent since just 2018.[132]

146.

Costco's Kirkland Signature chocolate products are made by Blommer's, a subsidiary of Fuji Oil Co, Ltd., an international food company. Fuji Oil regularly ranks at or near the bottom of independent rankings for its efforts to promote traceability and discourage child labor in its cocoa supply chain.[133] Fuji Oil's sustainability reports reference the problem of child labor in West Africa cocoa production and state that Fuji Oil runs CLMRS programs, but it does not provide

[130] *Coubaly v. Cargill Inc.*, 610 F. Supp. 3d 173 (D.D.C. 2022).
[131] *Id.* at 180–83.
[132] *Cocoa Compass 2023 Impact Report*, OFI, at 12, https://perma.cc/44CH-4N3V (archived Sept. 21, 2026).
[133] Antonie C. Fountain & Friedel Huetz-Adams, *Cocoa Barometer 2025*, Voice Cocoa Network, at 128, 169, https://perma.cc/SJ68-5SZZ (archived Sept. 21, 2026).

statistics beyond a claim that there is "CLMRS coverage for 100% of farmer groups in our direct supply chain."[134]

147.

Since 2009, Costco has partnered directly with Olam (through its subsidiary OFI) and Fuji Oil to operate what it advertises to Costco members as the "Sassandra Program," intended to "improve[] prosperity and livelihoods for the farmers" in the Côte D'Ivoire cocoa fields.[135] Costco's Sassandra Program marketing materials tout the company's education improvement efforts, health care initiatives, and gender equity efforts.[136]

148.

Through the Sassandra Program, Costco receives information concerning the farmers and communities from which the program sources, the monitoring system applied to those farms, identified child labor incidents and risks, and remediation measures undertaken in response.[137] Costco nevertheless represents that cocoa sourced through the Sassandra Program is traceable and segregated while operating a monitoring and remediation program that identifies children engaged in or at risk of child labor within that same sourcing program.[138] Costco does not disclose that the existence and operation of the monitoring and remediation program reflect continuing child labor incidents or risks within the supplier population from which the program sources.

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[134] *Sustainability Report 2025*, Fuji Oil Group, at 94, https://perma.cc/8V4U-ZYJ6 (archived Sept. 21, 2026).
[135] Costco Wholesale, *Sassandra Cocoa Program Report, Cote D'Ivoire, October 2009–June 2025*, Costco Wholesale, at 1 (Oct. 2025), https://perma.cc/96AS-6PU3.
[136] *See generally id.*
[137] *Sustainability: Cocoa and Coffee*, Costco Wholesale, https://perma.cc/L4EM-2XGT (archived Sept. 21, 2026).
[138] *Id.*

149.

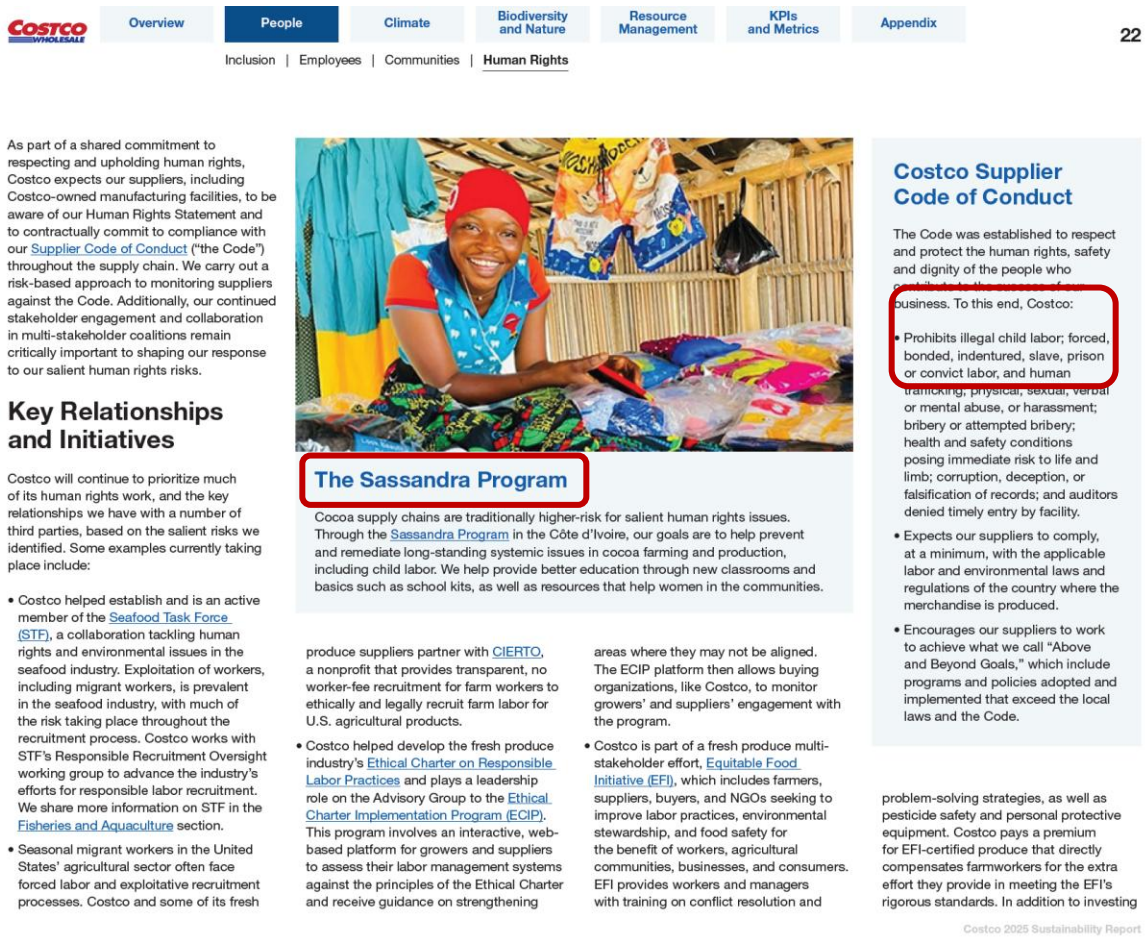
For the 2024–25 cocoa season, the Sassandra Program sourced from 12,760 farmers.[139] In response to child labor on those farms, Costco runs a CLMRS.[140] Costco's operation and promotion of that system demonstrate actual awareness that child labor is not merely a generalized regional possibility but a condition detected or assessed within the program's own supplier communities. Costco therefore possesses program-specific information inconsistent with any categorical implication that its practices have eliminated child labor from the Sassandra supplier population or that it "prohibits" child labor in its supply chains.

150.

For example, Costco describes the Sassandra Program on the same page of its Sustainability Report that states that it "[p]rohibits illegal child labor."[141] To readers who might be aware of the problem of child labor in cocoa production, the implication is that the Sassandra Program is consistent with Costco's prohibition against child labor. Costco does not explain that

[139] *Id.*
[140] *Id.*
[141] Sustainability Report, *supra* note 29, at 22. Costco makes similar representations in earlier versions of its Sustainability Report.

its monitoring system continued to identify or respond to child labor conditions or risks within the sourcing program.



COSTCO WHOLESALE

Overview | People | Climate | Biodiversity and Nature | Resource Management | KPIs and Metrics | Appendix

22

Inclusion | Employees | Communities | Human Rights

As part of a shared commitment to respecting and upholding human rights, Costco expects our suppliers, including Costco-owned manufacturing facilities, to be aware of our Human Rights Statement and to contractually commit to compliance with our Supplier Code of Conduct ("the Code") throughout the supply chain. We carry out a risk-based approach to monitoring suppliers against the Code. Additionally, our continued stakeholder engagement and collaboration in multi-stakeholder coalitions remain critically important to shaping our response to our salient human rights risks.

Key Relationships and Initiatives

Costco will continue to prioritize much of its human rights work, and the key relationships we have with a number of third parties, based on the salient risks we identified. Some examples currently taking place include:

- Costco helped establish and is an active member of the Seafood Task Force (STF), a collaboration tackling human rights and environmental issues in the seafood industry. Exploitation of workers, including migrant workers, is prevalent in the seafood industry, with much of the risk taking place throughout the recruitment process. Costco works with STF's Responsible Recruitment Oversight working group to advance the industry's efforts for responsible labor recruitment. We share more information on STF in the Fisheries and Aquaculture section.
- Seasonal migrant workers in the United States' agricultural sector often face forced labor and exploitative recruitment processes. Costco and some of its fresh produce suppliers partner with CIERTO, a nonprofit that provides transparent, no worker-fee recruitment for farm workers to ethically and legally recruit farm labor for U.S. agricultural products.
- Costco helped develop the fresh produce industry's Ethical Charter on Responsible Labor Practices and plays a leadership role on the Advisory Group to the Ethical Charter Implementation Program (ECIP). This program involves an interactive, web-based platform for growers and suppliers to assess their labor management systems against the principles of the Ethical Charter and receive guidance on strengthening areas where they may not be aligned. The ECIP platform then allows buying organizations, like Costco, to monitor growers' and suppliers' engagement with the program.
- Costco is part of a fresh produce multi-stakeholder effort, Equitable Food Initiative (EFI), which includes farmers, suppliers, buyers, and NGOs seeking to improve labor practices, environmental stewardship, and food safety for the benefit of workers, agricultural communities, businesses, and consumers. EFI provides workers and managers with training on conflict resolution and problem-solving strategies, as well as pesticide safety and personal protective equipment. Costco pays a premium for EFI-certified produce that directly compensates farmworkers for the extra effort they provide in meeting the EFI's rigorous standards. In addition to investing

The Sassandra Program

Cocoa supply chains are traditionally higher-risk for salient human rights issues. Through the Sassandra Program in the Côte d'Ivoire, our goals are to help prevent and remediate long-standing systemic issues in cocoa farming and production, including child labor. We help provide better education through new classrooms and basics such as school kits, as well as resources that help women in the communities.

Costco Supplier Code of Conduct

The Code was established to respect and protect the human rights, safety and dignity of the people who contribute to the success of our business. To this end, Costco:

- Prohibits illegal child labor; forced, bonded, indentured, slave, prison or convict labor, and human trafficking; physical, sexual, verbal or mental abuse, or harassment; bribery or attempted bribery; health and safety conditions posing immediate risk to life and limb; corruption, deception, or falsification of records; and auditors denied timely entry by facility.
- Expects our suppliers to comply, at a minimum, with the applicable labor and environmental laws and regulations of the country where the merchandise is produced.
- Encourages our suppliers to work to achieve what we call "Above and Beyond Goals," which include programs and policies adopted and implemented that exceed the local laws and the Code.

Costco 2025 Sustainability Report

(red boxes added)

151.

Costco's knowledge that child labor exists or continues to be detected within the supplier communities from which Sassandra sources cocoa, in contradiction to its representations to customers, is established not merely by general reports about cocoa production in West Africa. Costco's direct participation in the sourcing program, its receipt of monitoring information, its implementation and funding of CLMRS, its supplier relationships, and its own program reporting evidence this knowledge.

152.

Despite that knowledge, Costco continues to communicate its supply chain traceability and prohibition on child labor without disclosing the material limits and contrary facts it knows from its own program.

153.

In summary, rather than avoiding cocoa products tainted with child labor in its merchandise and Kirkland Signature goods, Costco sources Kirkland Signature cocoa from Côte d'Ivoire through the Sassandra Program despite the country's child labor problem and Costco's confirmation that children work on farms in its supply chain. The program responds to child labor after detection but does not eliminate it. Costco nevertheless markets the program as traceable and consistent with its claim that it "prohibits illegal child labor" without disclosing that child labor persists.

154.

Costco provides even less oversight for other chocolate sold in its warehouses. It does not require brands such as Nestlé and Hershey to provide comparable transparency, use segregated or certified cocoa, or show that their supply chains are free from child labor. Costco's sourcing and oversight practices fall far short of its representations to members.

b. Costco sells cashews it knows are farmed with child and forced labor.

155.

Cashews are one of the Kirkland Signature brand's best-selling items, and Kirkland accounts for an estimated half of total worldwide cashew sales.[142] Like much of its chocolate, Kirkland primarily buys cashews from Olam subsidiary OFI, which sources cashews from farms

[142] Ben Ryder Howe, *How Costco Hacked the American Shopping Psyche*, The New York Times (Aug. 20, 2024), https://www.nytimes.com/2024/08/20/dining/costco.html (on file with counsel).

in Benin, Brazil, Burkina Faso, Cambodia, Ghana, Guinea-Bissau, India, Indonesia, Ivory Coast, Mozambique, Nigeria, Tanzania, Togo, and Vietnam.



156.

Cashews sourced from Brazil, Vietnam, and Guinea are listed as goods produced using child labor on the Child or Forced Labor List.[143] For example, a June 2024 report by UNICEF describes 11-year-old Saico, a resident of Guinea-Bissau (among the world's top cashew producers and a provider of cashews to Costco), walking through a forest of cashew trees, collecting nuts

[143] *Supra* note 73, at 20–21, 25.

from the ground into a bucket. He told the reporter, "I'd rather be in school."[144] OFI openly acknowledges widespread child labor use on its cashew supplier farms and broadly advertises its remediation and education efforts in annual CLMRS reporting.[145]

157.

Costco, by contrast, makes no child labor disclosures in connection with its Kirkland Signature cashews, continuing to rely instead on the more generalized Kirkland Signature promise to members that Costco "control[s] every element of the item's creation." Costco released a six-page "Overview of Cashew Program Progress" to members regarding its Kirkland Signature cashews.[146] That report boasts of Costco's contributions to childcare, introduction of beekeeping, and improvements to clean and safe drinking water access on Côte d'Ivoire cashew farms, as well as education, infrastructure, and health and safety improvements at cashew farms in Vietnam.[147] The report also identified OFI as Costco's cashew supplier.[148] But in contrast to the reports of its main cashew supplier, Costco's reports regarding cashews do not make a single mention of child labor.

158.

As with cocoa, cashew markets exhibit "smallholder fragmentation," where hundreds of thousands of small-scale farmers produce the vast majority of raw nuts, making farm mapping efforts exceptionally challenging. The raw nuts then typically pass through a long chain of local

[144] Ruth Ayisi, *Children living in poverty drop out of school to harvest cashew nuts*, UNICEF (June 3, 2024), https://perma.cc/5Y6K-ZCBH.
[145] *Nut Trails 2.0, Impact Report 2024*, OFI, at 5, 7, https://perma.cc/LH4R-JJ64 (archived Sept. 25, 2026).
[146] *Kirkland Signature Cashews Sourced by Olam*, Costco Wholesale, https://perma.cc/ZNX8-W69C (archived Sept. 22, 2026).
[147] *Id.*
[148] *Id.* at 1.

traders, community buyers, and regional brokers before reaching a processor or exporter like OFI, effectively erasing the chain of custody.[149]

159.

Costco's own supplier, OFI, openly admits that cashew supply chains are opaque.[150] Nonetheless, Costco, which maintains strict secrecy with respect to all Kirkland Signature product suppliers, refuses to publicly acknowledge that OFI supplies its cashews. In this manner, Costco uses the Kirkland Signature label—and the company's false claims about controlling production and ensuring traceable supply chains for all Kirkland products—to launder cashews its own suppliers concede are tainted by child labor and therefore fail to meet Costco's advertised standards.

160.

As the company that controls roughly half the global retail market share for cashews,[151] Costco could wield, if it chose to, unparalleled influence over the labor standards and conditions that exist at its sub suppliers in Africa and Asia. But improving labor conditions and paying full wages to an adult work force would make the cashews Costco sells more expensive. As a result, Costco continues to source cashews from suppliers and farms it knows do not meet its advertised supply chain and child labor standards.

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[149] *See, e.g., Informality in the Cambodian cashew nut industry*, ILO, at 2 (Nov. 2024), https://www.ilo.org/sites/default/files/2024-11/Factsheet%20cashew%20nut.pdf (on file with counsel); *Cashew Trail*, OFI, at 6 (2022), https://perma.cc/Y46R-93CQ (OFI sources cashews from at least 250,000 farmers).

[150] *Cashew Trail, supra* note 149, at 1 ("We will need an unprecedented level of data to monitor our supply chain[.] … We are aiming for 100% of our direct cashew volumes to be traceable to farmer group-level … by 2030.")

[151] Howe, *supra* note 142.

c. Costco sells seafood products it knows are cultivated and processed using child and forced labor.

161.

Costco sells frozen seafood and shrimp products sourced from China, Vietnam, and India, which for years have experienced widespread child and forced labor problems in their seafood industries. In particular, one of Costco's most popular items, Kirkland Signature frozen shrimp, is sourced from exporters and processors in India.

162.

In 2024, investigative reporting by CNN, the Associated Press, and the Corporate Accountability Lab ("CAL") reported extensively on child and forced labor in the Indian shrimp supply chain.[152] The CAL investigative report, issued in March 2024, documented multiple instances of forced labor,[153] sexual harassment,[154] and child labor[155] in India's mostly female shrimp processing workforce in Andhra Pradesh, India's largest shrimp-producing region.[156]

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[152] Sashikala VP, *The US is India's biggest importer of shrimp. Teenage girls and women working in the booming industry describe grueling conditions*, CNN As Equals (2025), https://www.cnn.com/interactive/asequals/indian-seafood-industry-women-exploitation-as-equals-intl-cmd/ (on file with counsel); Martha Mendoza, Mahesh Kumar & Piyush Nagpal, *AP finds grueling conditions in Indian shrimp industry that report calls "dangerous and abusive"*, Associated Press (Mar. 20, 2024 at 8:54 AM), https://apnews.com/article/india-shrimp-seafood-industry-labor-abuses-us-imports-e5b51878eafbb6e28977710b191eb7de (on file with counsel); *Hidden Harvest: Human Rights and Environmental Abuses in India's Shrimp Industry*, CAL (Mar. 2024), https://perma.cc/XZX6-WHJ6.

[153] *Hidden Harvest, supra* note 152, at 46–56.

[154] *Id.* at 41–43.

[155] *Id.* at 44–45.

[156] *Id.* at 10, 39; *Value chain analysis of the food processing sector in Andhra Pradesh and Odisha*, ILO, at 44 (2023), https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@asia/@ro-bangkok/@sro-new_delhi/documents/publication/wcms_877320.pdf (on file with counsel) (noting that women make up 70–80 percent of the shrimp processing workforce, and migrants 50 percent).

163.

The United States State Department's 2024 Trafficking in Persons Report for India stated there were indications of forced labor—like restrictions on movement, failure to pay minimum wages, and hazardous working conditions—in shrimp and aquaculture facilities in India, and specifically in Andhra Pradesh.[157] The State Department's report elaborated that "[t]he exploitative conditions in these aquaculture facilities also create[] debt bondage, especially among migrant workers and scheduled castes."[158]

164.

In September 2024, the Department of Labor added Indian shrimp to the Child or Forced Labor list.[159]

165.

Shrimp from Thailand, once the largest global processor and exporter of shrimp, was included on the Department of Labor's first Child or Forced Labor list in 2009.[160] In 2015, Costco was named as a defendant in a class action lawsuit under California's consumer protection laws, based on allegations that Costco knowingly sourced shrimp from Thai producers engaged in abusive labor practices.[161]

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[157] *2024 Trafficking In Persons Report: India*, U.S. Dep't of State (2024), https://perma.cc/W4JG-QT7E.
[158] *Id.*
[159] *Supra* note 73, at 17.
[160] *The Department of Labor's List of Goods Produced by Child Labor or Forced Labor*, U.S. Dep't of Labor, at 20 (Sept. 10, 2009), https://www.dol.gov/sites/dolgov/files/ILAB/reports/TVPRA%202009_WEB_.pdf (on file with counsel).
[161] Complaint, *Sud v. Costco Wholesale Corp.*, Case No. 4:15-cv-03783 (N.D. Cal. Aug. 19, 2015), ECF 1.

166.

Attention on those practices caused Thai labor practices to improve, and as a result, Thai shrimp prices slowly increased.[162] By 2013, India—which in that period faced little or no scrutiny of its aquaculture labor practices—had overtaken a significant part of that market share and replaced Thailand as the world's largest exporter.[163] By 2023, Indian shrimp made up 40 percent of U.S. imports.[164]

167.

Like in the local markets that produce cocoa and cashews, traceability into the supply chains of inexpensive Indian shrimp is challenging and cost intensive, because the shrimp production business in Indian markets depends on aggregation of shrimp volume from hundreds of small aquaculture farms.[165] The average farm in India is between 1 and 4 hectares and yields between 1 and 10 metric tons of shrimp per hectare annually.[166] In January to July 2026, India exported an average of 65,000 metric tons per month.[167] As a result, traceability, where not impossible, adds significant costs.

168.

The dedicated "Kirkland Signature" page on Costco's e-commerce site features a link to Costco's "Fisheries and Aquaculture" page, which broadly discusses Costco's sustainability

[162] *Hidden Harvest, supra* note 152, at 1.
[163] *Id.*
[164] *Id.*
[165] *Id.* at 25.
[166] Katrina Nakamura, *When More Means Less: Supermarket purchasing power and the decline of producer prices and working conditions in the shrimp sector*, Sustainability Incubator, at 5 (Sept. 30, 2024), https://perma.cc/K5RU-AACZ.
[167] *India Sets New July Export Record as US and China Drive Growth*, Shrimp Insights (Sept. 18, 2026), https://perma.cc/7HMM-WNLZ.

principles and seafood procurement practices.[168] The page states that "Costco is a founding member of the Seafood Task Force (STF), which takes a supply chain approach to social and environmental oversight for higher-risk seafood species" and that "all of our shrimp suppliers located in Asia[] are STF members."[169]

Costco and the Seafood Task Force

Costco is a founding member of the Seafood Task Force (STF), which takes a supply chain approach to social and environmental oversight for higher-risk seafood species. All of our canned tuna suppliers, and all of our shrimp suppliers located in Asia, are STF members.

169.

As with other Kirkland items, however, Costco makes broad pledges while still maintaining strict confidentiality over the identities of its actual suppliers.

170.

Details of a salmonella-related frozen shrimp recall in 2020, however, revealed that Costco's Kirkland Signature shrimp had been recalled alongside popular competitor brand Aqua Star, because both had been imported by Kader Exports, one of the Andhra Pradesh region's largest exporters.[170] A 2026 lawsuit against Aqua Star[171] details the forced labor conditions present in Aqua Star's supply chain, including those described in the State Department's 2024 Trafficking in

[168] *Sustainability: Fisheries & Aquaculture*, Costco Wholesale, https://perma.cc/24RY-B2TE (archived Sept. 23, 2026).
[169] *Id.*
[170] *Kader Exports Recalls Frozen Cooked Shrimp Because of Possible Health Risk*, U.S. Food & Drug Admin. (Aug. 12, 2020), https://perma.cc/3J2S-LY62.
[171] *GMO Free USA d/b/a Toxin Free USA v. Aqua Star (USA) Corp.*, 2026-CAB-001574 (Superior Ct. D.C. Mar. 10, 2026), https://perma.cc/6EBV-HER4.

Persons Report—namely the entrapment of workers, in particular migrants to Andhra Pradesh, in debt bondage systems that deplete their wages and make them unfree to leave.[172]

171.

Publicly available customs records confirm that Kader continues to supply the peeled frozen shrimp sold by Costco under the Kirkland Signature label.[173]

172.

In addition, the Corporate Accountability Lab's 2024 investigative report documents interviews with migrant workers at Nekkanti Sea Foods facilities in Andhra Pradesh. Nekkanti requires extremely long hours from its employees. One worker "explained that she and the other women work 30 days in a row with no days off and receive neither overtime pay nor leave."[174] As another worker explained, "if she were to ask for the overtime pay she is owed, she would be fired."[175] Nekkanti fails to provide work contracts or pay slips to its workers, or provides materials in languages they cannot read.[176]

173.

An individual at Nekkanti stated that "[r]ecruitment agencies employed by us bring migrant workers from Odisha and West Bengal. They look for workers in rural areas who need money desperately. These recruitment agency agents will provide the money to the workers and bring them to our company on the condition that they will be allowed to leave only after the loan and interest are cleared."[177]

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[172] *Id.* ¶¶ 49–66.
[173] *E.g., Bill of Lading No. MEDUJ6002367*, Msc Mediterranean Shipping Co. (2023) (on file with counsel).
[174] *Hidden Harvest, supra* note 152, at 41.
[175] *Id.*
[176] *Id.* at 72–73.
[177] *Id.* at 47.

174.

Workers who live in company hostels have described the conditions as "like deciding to reside in an open jail."[178] One worker explained that "the freedom of movement of workers is restricted without compromise."[179] Even within the hostels, workers' actions, such as telephone communications, are constrained.[180] Workers are only allowed to leave the hostels once or twice a month.[181]

175.

Nekkanti Sea Foods is certified by the Best Aquaculture Practices (BAP) standard, but that industry-run certification system does not actually prevent labor abuses, despite claiming to do so.[182] Nekkanti conceals its labor violations from BAP and others by, among other things, hiding workers from inspectors, maintaining false sets of timesheets and other documents to provide to auditors, and attempting to prevent its employees from speaking out about its abusive practices.[183]

176.

Prior to the release of CAL's report detailing Nekkanti Sea Food's labor violations, Nekkanti's website identified Costco as one of its customers.[184] Shortly after CAL published the report, Nekkanti removed its list of customers from its website. Costco continues to sell frozen farmed shrimp marked as a product of India and does not disclose its suppliers.

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[178] *Id.* at 54.
[179] *Id.*
[180] *Id.* at 55.
[181] *Id.* at 49, 54, 72.
[182] *Id.* at 70.
[183] *Id.* at 33, 41.
[184] *Customers*, Nekkanti Sea Foods Ltd., https://web.archive.org/web/20240312233631/https://nekkantiseafoods.com/customers/ (archived Mar. 12, 2024).

177.

Since India became the United States' largest exporter of frozen shrimp, the global average price has dropped dramatically. One study estimates that between 2018 and 2024, global wholesale prices decreased as much as 45 percent.[185] The availability of forced labor practices in India's growing market has, in effect, subsidized low shrimp costs and profit margins enjoyed by retailers like Costco and its competitors.

178.

Costco is one of the world's largest retail purchasers of frozen shrimp products, and its Kirkland Signature 2-lb bags of frozen shrimp retail at one of the lowest available prices in the United States market.

d. Other At-Risk Products

179.

Costco sells many products that are at risk of being produced by child labor or forced labor, or without the traceability that Costco promises. These include coffee and sugar, for which Costco has kept its suppliers, the countries of origin, and its child labor exposure out of public knowledge.

180.

Costco sells a broad selection of coffee products, including several varieties of Kirkland Signature coffee. Costco currently sells Kirkland Signature Colombian Supremo Coffee and identifies Colombia as the product's country of origin. Other Costco coffee products do not identify the country of origin. As with its other Kirkland suppliers, Costco keeps secret the identities of the farms, cooperatives, traders, exporters, processors, and other entities involved in producing and supplying its coffee products.

[185] Nakamura, *supra* note 166, at 1.

181.

Coffee presents many of the same traceability and labor-monitoring concerns that exist in Costco's cocoa and cashew supply chains. Coffee supply chains, including Colombia's, are highly fragmented, consisting of hundreds of thousands of growers and predominantly small farms, conditions that make supply chain oversight and labor monitoring especially challenging.[186] Although Costco represents that suppliers can map supply chains "to the origin or source" and that Costco "prohibits illegal child labor," Colombia remains a country where child labor in coffee production is sufficiently prevalent that Colombian coffee appears on the Child or Forced Labor List.[187]

182.

A recent study financed by the United States Department of Labor and conducted by Colombia's Center for Regional Coffee and Business Research examined child labor in Colombia's coffee sector.[188] The study found that children and adolescents commonly participated in coffee-harvesting and other coffee-production activities and identified 100 surveyed cases classified as child labor under Colombian law, including cases involving hazardous agricultural work, handling equipment, fertilizers, agrochemicals, excessive working hours, and interference with schooling.[189] The study concluded that additional prevention, monitoring, and remediation efforts were needed to mitigate the effects of child labor.[190]

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[186] *Child Labor in the Coffee Sector in Colombia: Executive Summary*, Center for Regional Coffee and Business Research (CRECE), at 1–2 (Mar. 10, 2021), https://www.dol.gov/sites/dolgov/files/Gayar.Arwa.T%40dol.gov/ANNEXG~1.PDF (on file with counsel).
[187] *Supra* note 73, at 21.
[188] *Id.*
[189] *Id.* at 14–17.
[190] *Id.* at 22–23.

183.

In addition to its Kirkland Signature coffee lines, Costco sells several nationally recognized coffee brands, including Starbucks-branded coffee products. Until 2024, Starbucks additionally served as the roaster for all Kirkland Signature coffee lines. Recent litigation concerning coffee sourced through Starbucks' widely publicized Coffee and Farmer Equity ("C.A.F.E.") Practices program has alleged the continued existence of child labor and forced labor risks among coffee producers participating in those supply chains.[191] These allegations underscore the difficulty of monitoring labor conditions across global coffee supply networks and highlight the gap between generalized sourcing commitments and the practical realities of agricultural supply chains.

184.

Other at-risk products include gold, which Costco sells and which appears on the Child or Forced Labor List for 28 countries, more than any other good or product.[192] Costco's gold products identify the country of refining, not mining, so the extent to which Costco uses traceable gold sources consistent with its Supplier Code is unknown.

185.

Coconut products from the Philippines also appear on the Child or Forced Labor List.[193] The United States Department of Labor sponsored a study on coconut supply chains in the Philippines in 2024 that concluded, "It is reasonable to assume that any coconut … or coconut oil produced in the Philippines is at risk of being produced by child labor."[194]

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[191] *See Doe I v. Starbucks Corp.*, Case No. 2:26-cv-02126 (W.D. Wash. June 18, 2026).
[192] *Supra* note 73, at 15, 18–25.
[193] *Id.* at 24.
[194] *Supply Chain Study on Child Labor in the Coconut Industry of the Philippines*, U.S. Dep't of Labor, at ix (Sept. 2024), https://www.dol.gov/sites/dolgov/files/ILAB/Supply-Chain-Philippines-Coconut-508.pdf (on file with counsel).

186.

Costco does not disclose the supplier of its Kirkland Signature Coconut Water, and the webpage for the product displays "PRODUCT OF VIETNAM."[195] However, shipping data shows regular shipments of Kirkland Signature Coconut Water from the Philippines to the United States, as shown on the following representative Bill of Lading.[196] Costco calls coconuts a "sustainable" product and states that it does not support the use of monkeys for coconut harvesting, but does not address child labor in its coconut supply chains.[197]

[195] *Kirkland Signature, Organic Coconut Water*, Costco Wholesale, https://perma.cc/7L2Y-2SJ6 (archived Sept. 24, 2026).

[196] This document is a representation of publicly available U.S. import shipment data sourced from U.S. Customs and Border Protection records. It is not the original carrier-issued Bill of Lading.

[197] Christina Guerrero, *Crazy for coconuts*, Costco Connection (Apr. 2022), https://perma.cc/4J4B-PQ39; Sustainability Report, *supra* note 29, at 53.

BILL OF LADING – SHORT FORM – NOT NEGOTIABLE

Estimated Arrival Date: 01/28/2026

SHIP FROM	BOL Number: EGLV063500036496
Century Pacific Agricultural Ventures Inc Purok Lansong Millenium Ind Economic Zn Tambler 9500 City Ofgeneral Santos South Cotabato Ph Philippines	Bill of Lading Type: Simple FROB
SHIP TO	**Carrier: Evergreen International Ltd**
All Market Inc 111 5Th Avenue 2Nd Floor New York New York 10003-1402 United States United States	Vessel name: Ever Smile Vessel code: 9300415 Voyage number: 0145E Mode of Transportation: Vessel, containerized
THIRD PARTY FREIGHT CHARGES	**Departure Port**
All Market Inc 111 5Th Avenue 2Nd Floor New York New York 10003-1402 United States United States	Kaohsiung - 58309
	Destination Port
	Tacoma, Wa - 3002

CARRIER INFORMATION

Handling Unit		Container ID	Description	Marks & Numbers
Qty	Type			
1	Container	EGSU9777148	Coconut Water	Peza Seal
Service Type: House-to-House			Seal Number: EMCNCC0044	
1	Container	EGSU9815232	Coconut Water	Peza Seal
Service Type: House-to-House			Seal Number: EMCNCC0094	
1	Container	EGSU9463738	Coconut Water	Peza Seal
Service Type: House-to-House			Seal Number: EMCNCC1044	
1	Container	HPCU4893972	Coconut Water Case Organic Coconut Water (Kirkland Signature) Hs Case Organic Coconut Water (Kirkland Signature) Hs Case Organic Coconut Water (Kirkland Signature) Hs Case Organic Coconut Water (Kirkland Signature) Hs Case Organic Coconut Water (Kirkland Signature) Hs Case Organic Coconut Water (Kirkland Signature) Total , Cases Origin Hs Code @Philippines Tel () - O/B All Market Singapore Pte Ltd @@Aenderica@Armour.Ca Vitaont@Cdsltd.Ca Ssiddiqui@Armour.Ca Chleblanc@Armour.Ca @@@Internal.Vitacoco@Kueh Ne-Nagel.Com Ricardo.Peralta@Kuehne-Na Gel.Com Pars@Kuehne-Nagel.Com P + Hs	Peza Seal Peza Seal 10234176 Peza Seal 10234198 Peza Seal 10234199 Peza Seal 10234270 Peza Seal 10234271 Peza Seal 10234272 . . . . . The Same

(red box added)

F. Plaintiffs' Injuries

187.

Costco's membership fee revenue exceeds $5 billion annually and is a significant profit center. Costco has a financial incentive to promote representations that support demand for and renewal of memberships because even small increases in membership sales and renewal rates generate substantial membership-fee revenue.

188.

Costco sells a standardized membership product at standardized prices within each membership tier. The membership provides access to Costco's centrally selected assortment of goods and exclusive access to Kirkland Signature goods. Costco promotes its responsible sourcing system, supply chain traceability, prohibitions on child and forced labor, and heightened insight into Kirkland Signature production as attributes of that membership product.

189.

Costco sets its membership prices based on research into the strength of its brand value, among other things. Costco knows that potential members value sustainable and responsible sourcing, so Costco invests effort into creating the appearance of a robust and responsible sourcing program for products stocked on Costco shelves, most notably Kirkland Signature products.

190.

Costco knows that it competes with other retailers based in part on product quality, and part of the product quality important to consumers is sourcing practices. Costco relies on its misrepresentations regarding the sourcing of its products to charge a higher price for membership.

191.

Costco's representations increase the economic value Costco assigns to and obtains for its memberships by strengthening consumer trust in Costco's centralized product selection,

differentiating Costco from competing retail options, supporting membership demand and renewal, and permitting Costco to sell memberships at prices higher than it would obtain if it accurately disclosed the limits of its sourcing system.

192.

The membership product purchased by Plaintiffs from Costco lacks those represented attributes. Costco routinely and uniformly associates the challenged sourcing and supply chain attributes and benefits with its membership product through its centralized membership and member retention communications.

193.

Plaintiffs thus incurred a loss when they purchased their Costco memberships because they did not obtain a right to shop from a selection of products subject to the process and standards that Costco claims to apply to its sourcing decisions; Costco lacks the represented ability to verify, approve, trace, and monitor compliance with those standards; and Costco does not have the degree of control over Kirkland Signature items—"controlling every element of the item's creation"—that it claims to have. Instead, products that Costco makes available to members come from supply chains that depend on child labor and forced labor, Costco relies on opaque supply chains beyond the reach of Costco's Supplier Code and other standards, and Costco uses the Kirkland Signature brand to whitewash brands and products with undesirable reputations.

194.

Plaintiffs thus did not receive the membership that Costco said it was selling: membership that provides access to products compliant with Costco's representations regarding ethical, responsible, and respectful sourcing, free of child and forced labor.

195.

Plaintiffs accordingly suffered a price premium loss. Costco's uniform conduct increases or maintains the price of memberships across the market. Costco directs communications to prospective and existing members that present the challenged representations concerning ethical and responsible sourcing, traceability, supplier governance, labor conditions, and Kirkland Signature oversight as part of the value proposition for Costco memberships and Kirkland Signature products. Those representations increase the market value of Costco memberships and enable Costco to charge more for those memberships than it otherwise could have charged. Every purchaser paid the inflated price affected by that conduct, regardless of whether a particular purchaser personally reviewed every challenged representation.

196.

Plaintiffs also suffered a benefit of the bargain loss: The memberships were sold as possessing sourcing attributes that they do not possess. A membership without the represented supplier approval, traceability, monitoring, enforcement, and Kirkland Signature supply chain insight is objectively worth less than a membership possessing those attributes, based on common consumer experience and normal market assumptions.

197.

Plaintiffs intend to not renew their Costco memberships when they expire, because they now know that many of Costco's representations regarding its responsible sourcing practices are false. As a consequence, Plaintiffs are uncertain about the products' actual origins or whether they were produced using abusive labor practices. Purchasing a membership again with that uncertainty would subject Plaintiffs to the same harm they have already experienced.

198.

Plaintiffs remain interested in Costco's offerings and would like to purchase a Costco membership again if they could be sure that Costco had ceased its deceptive practices. Without an injunction requiring Costco to cease its violations of the UTPA, Plaintiffs have no way to know whether Costco's products are sourced in a responsible and ethical manner or if they remain tainted by child labor and forced labor.

VI. Class Definition and Class Action Allegations

A. Class Definition

199.

Plaintiffs bring this action as a class action pursuant to Fed. R. Civ. P. 23 for the time period beginning one year before the date of filing of this action to the date on which a class is certified ("Class Period").

200.

Plaintiffs seek to represent an Oregon class consisting of all persons who, during the Class Period, purchased or renewed a Costco membership at a warehouse in Oregon, purchased or renewed a Costco membership online using an Oregon address, purchased or renewed a Costco membership and shopped at a warehouse in Oregon, or purchased or renewed a Costco membership and shipped a product to an Oregon address. Excluded from the Class are the Defendant's officers and directors and the immediate families of Defendant's officers and directors. Also excluded from the Class is Defendant and its subsidiaries, parents, affiliates, joint venturers, any entity in which Defendant has or has had a controlling interest, any judge who rules on any matter connected to this case, and any juror who sits on this case at trial.

B. Commonality

201.

The case raises questions of law and fact susceptible to common evidence. These include, among other things, common facts regarding Costco's uniform membership prices, membership pricing and brand valuation materials, membership and renewal analyses, consumer and brand research reviewed or commissioned by Costco, competitor analyses, centralized marketing records, procurement policies and standards, and Costco's knowledge of labor violations in its supply chains. These also include, among other things, common questions of law, such as whether Costco's claims violate the UTPA, whether members are harmed under a benefit of the bargain theory, whether members are harmed under a price premium theory, and whether Costco has acted knowingly or recklessly.

C. Numerosity

202.

The Class size is unknown to Plaintiffs. Based on Costco's published member and warehouse totals, the Class size is estimated to exceed 1.1 million. The Class is so numerous that joinder is impractical.

D. Adequacy of Representation

203.

Plaintiffs will fairly and adequately protect the interests of all Class Members. The Class shares a common interest in damages and injunctive relief for all members. Plaintiffs also have no interests that conflict with or are antagonistic to the interests of the Class Members. Plaintiffs have retained competent and experienced class action attorneys to represent their interests and that of the Class.

E. Typicality

204.

Plaintiffs' claims are typical of the Class. Plaintiffs' claims arise from the same course of conduct and the same membership product as the claims of the Class. All Class Members bought memberships marketed by Costco with the same representations. Costco establishes uniform prices for each membership tier, uses centralized sourcing policies and centrally controlled membership communications, and associates the same supply chain and sourcing attributes to memberships in Oregon and nationwide. All Class Members within each of Costco's two membership tiers paid the same standardized price for that tier. Plaintiffs and Class Members have suffered the same type of injury: They paid the standardized price for a membership affected by Costco's uniform conduct and received a membership lacking the same represented sourcing governance attributes.

F. Predominance

205.

Common questions of law and fact predominate over any questions affecting only individual Class Members. Costco's representations, sourcing policies, audit scope, supplier approval practices, Kirkland Signature development practices, internal knowledge, membership pricing, and brand valuation are all established through Costco's centralized records and conduct. The price premium theory asks whether Costco's uniform conduct affected the standardized prices Costco charged, not why each member subjectively chose to join. The benefit of the bargain theory asks whether the standardized membership product possessed the represented attributes, not whether each member personally encountered every communication. Liability and damages can be established through common evidence, including Costco's membership materials, Supplier Code, Sustainability Reports, audit policies, supplier governance policies, Kirkland Signature

marketing materials, membership pricing analyses, membership renewal analyses, and brand valuation materials.

206.

No individualized inquiry defeats predominance. Costco sells memberships through standardized representations and omissions directed to all members and prospective members, and the injury alleged is common to the Class. All Class Members within each of Costco's two membership tiers paid the same standardized price for that tier and received a membership diminished in value by the absence of the ethical sourcing, traceability, and child labor prohibitions Costco represents it provides. Damages can be measured by the statutory minimum standard, obviating the potential for any individualized damages issues.

G. Superiority

207.

A class action is superior to other available methods for fairly and efficiently adjudicating this controversy. The Class is numerous, geographically dispersed, and composed of consumers whose individual damages are modest relative to the cost and burden of separate litigation. Individual Class Members therefore have little practical interest in bringing or ability to bring separate actions to vindicate the same rights, while Costco's alleged misconduct can be addressed efficiently in a single proceeding using common evidence.

VII. Claims for Relief

FIRST CLAIM FOR RELIEF
(Violation of Unlawful Trade Practices Act)
First Count – Willful Violation

208.

Plaintiffs re-allege and incorporate by reference all the paragraphs of this Complaint as though fully stated herein.

209.

Oregon's Unlawful Trade Practices Act (UTPA) prohibits a person from engaging in unlawful trade practices in the course of the person's business.[198]

210.

Costco is a "person" within the meaning of ORS 646.605(4).

211.

Costco sells annual memberships by representing that the products available to members are governed by a responsible sourcing system that Costco describes in concrete terms. Costco states that a supplier "shall maintain the ability to trace all components or ingredients of the Merchandise to their source," that "[a]ll Facilities engaged in the production of Merchandise sold to Costco are required to be disclosed and approved by Costco," that Costco conducts audits "to monitor Suppliers' commitment to the Code," and that Costco "prohibits illegal child labor" and forced labor. Taken together, those statements represent that Costco imposes, monitors, and enforces source traceability, facility approval, and labor standards for the goods selected for sale to members.

212.

Costco sells annual memberships by representing that its sourcing services prohibit child labor and supply mechanisms to enforce that prohibition. Costco states that it "prohibits illegal child labor," requires disclosure and Costco approval of "[a]ll Facilities engaged in the production of Merchandise sold to Costco," requires suppliers to maintain documentation necessary to verify compliance, and warns that violations could result in "immediate sanctions," including termination and cancellation of purchase orders.

[198] ORS 646.608(1).

213.

Costco sells annual memberships by representing that membership provides an additional benefit: exclusive access to Kirkland Signature products that Costco claims to develop with heightened supply chain controls. Costco states that it creates those products by "controlling every element of the item's creation, including packaging and transportation." Costco further states that its involvement gives it "direct insight into the entire supply chain," including "the products' locations of origin, environmental impacts, labor conditions, packaging, and conditions under which the products are produced."

214.

Costco's representations concerning supplier approval, facility approval, supplier compliance, audits, sanctions, traceability, responsible sourcing, and Kirkland Signature oversight communicate to members and prospective members that the goods Costco selects, stocks, and sells have been reviewed, approved, vetted, or certified by Costco as satisfying the sourcing, labor, traceability, and supply chain standards Costco describes in its membership materials. Costco's representations that all facilities are disclosed to and approved by Costco, that suppliers maintain traceability to source, that compliance failures can result in sanctions, and that Costco possesses direct insight into Kirkland Signature supply chains convey that Costco has verified compliance with those standards before making products available to members.

215.

Those representations are false. Contrary to Costco's representation that suppliers "shall maintain the ability to trace all components or ingredients of the Merchandise to their source," Costco's actual practices do not provide ingredient-level or product-level traceability across multi-tier supply chains involving aggregation and commingling. Contrary to Costco's representation

that "[a]ll Facilities engaged in the production of Merchandise sold to Costco are required to be disclosed and approved by Costco," Costco does not systematically audit such facilities or enforce sanctions for noncompliance. And contrary to Costco's claim that its Kirkland Signature relationships provide "direct insight into the entire supply chain," Costco lacks the represented visibility into the locations of origin, labor conditions, and production conditions for those products.

216.

By the conduct described above, Costco willfully violates the following provisions:

a. Costco sells memberships by causing a likelihood of confusion or of misunderstanding as to the source, sponsorship, approval, or certification of its goods in violation of ORS 646.608(1)(b).

b. Costco sells memberships by misrepresenting the characteristics, benefits, and qualities of services that it provides to members in violation of ORS 646.608(1)(e).

c. Costco sells memberships by misrepresenting the approval, characteristics, ingredients, and/or qualities of the goods it sells to members in violation of ORS 646.608(1)(e).

d. Costco sells memberships by misrepresenting that the goods or services it sold were a particular standard, quality, or grade that they were not in violation of ORS 646.608(1)(g).

217.

Costco commits these acts in the course of its business.

218.

Plaintiffs and Class Members purchased Costco memberships and goods for personal, family, or household purposes within the meaning of ORS 646.605(6).

219.

As a result of these violations, Plaintiffs and the Class seek damages, equitable and declaratory relief, an injunction, attorney fees and costs, and pre-judgment interest.

Second Count – Reckless and Knowing Violation

220.

Plaintiffs incorporate and reallege the unlawful and deceptive business acts and practices of Costco as set forth above.

221.

Costco's violations were reckless or knowing. Costco knew the scope and results of its own audits, knew what facilities it had and had not approved, knew what ingredient-level traceability records it possessed, and knew the extent of its actual control over Kirkland Signature production. Costco also received contrary information through direct supplier relationships, audit and monitoring programs, the Sassandra Program, child labor monitoring and remediation activities, government investigations, supplier disclosures, and public reports concerning identified Costco supplier networks. Those sources gave Costco actual notice that its unqualified representations materially overstated the effectiveness and reach of its sourcing system and misrepresented whether, in fact, the products it sold were made by child labor or forced labor.

222.

Thus Costco knew or should have known that it lacked the ability to prohibit child labor in its products' supply chains, did not enforce the child and forced labor prevention standards it advertised to its members, and concealed from members that it sold name brand products under

the Kirkland Signature label that Costco knew were subject to well-publicized child and forced labor scandals and charges.

223.

Costco nevertheless repeated and continued the challenged representations in centralized materials and communications directed to members and prospective members without disclosing the known limitations of its audit coverage, traceability, supplier visibility, and remediation systems.

224.

As a result of Costco's unlawful conduct, Plaintiffs and Class Members have sustained an ascertainable loss of money and are entitled to actual damages in an amount to be proven at trial or statutory damages of $200, whichever is greater; punitive damages; attorney' fees and costs against Defendant Costco, and pre-judgment interest.[199] Plaintiff and Class Members are entitled to an injunction requiring Costco to cease violations of the Act.[200]

SECOND CLAIM FOR RELIEF
(Unjust Enrichment)

225.

Costco charges members a price premium based on misrepresentations that it offers members access to products free from child or forced labor.

226.

As a result of Costco's deceptive marketing, Costco obtains a benefit at the expense of members, and it is unjust for Costco to retain the benefit.

[199] ORS 646.638.
[200] ORS 646.636.

227.

In light of the fact that the price premium Costco charged was commanded through false representation to its customers, it is against equity and good conscience to permit Costco to retain the ill-gotten benefits it receives from Plaintiffs and the Class. Thus, it is inequitable for Costco to retain the benefit without restitution to the Class.

228.

As a direct and proximate result of Costco's actions, Costco has been unjustly enriched, and Plaintiffs and the Class have a right to restitution in an amount to be proven at trial, plus attorney fees and costs.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs, individually and on behalf of the proposed Class, respectfully request that the Court enter judgment in their favor and against Costco as follows:

A. Certification of the proposed Class and appointment of Plaintiffs' counsel as Class Counsel;

B. An order temporarily and permanently enjoining Costco from continuing the unlawful, deceptive, fraudulent, and unfair business practices alleged herein;

C. Costs; restitution; damages, including statutory and punitive damages; and disgorgement in an amount to be determined at trial;

D. Pre- and post-judgment interest on any amounts awarded;

E. An award of costs and attorney fees; and

F. Such other relief as may be appropriate.

DEMAND FOR JURY TRIAL

Plaintiffs hereby demand a jury trial for all claims so triable.

DATED: October 1, 2026

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