



- Costco Wholesale Corporation -

SUSTAINABILITY COMMITMENT



2021



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“This Sustainability Commitment includes our updates for Fiscal Year 2021. We continue to make progress on many of our sustainability commitments and goals, including those related to our Climate Action Plan and Diversity, Equity & Inclusion. We thank our employees, suppliers, members and the communities where we operate for their continuing support as we work together to address these commitments and goals.”

— Craig Jelinek, President and CEO

OVERVIEW

Our aim is that our business remains responsible, resilient and relevant in accordance with our Mission Statement and Code of Ethics.

Code of Ethics

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

Mission Statement

To continually provide our members with quality goods and services at the lowest possible prices.

These inform and guide our everyday goal to do the right thing and are the foundation of our business. Costco will continue to adapt as we learn more about our impact and global challenges such as climate change, human rights issues, and compromised natural resources.

Sustainability to us is remaining a profitable business while doing the right thing. We have adopted the following principles and responsibilities to help us navigate a dynamic and changing future, while still striving to do the right thing and remain a low-cost and efficient business operator.

Our Sustainability Principles

- For Costco to thrive, the world needs to thrive. We are committed to doing our part to help.
- We focus on issues related to our business and where we can contribute to real, results-driven positive impact.
- We do not have all of the answers, are learning as we go and seek continuous improvement.

Our Sustainability Responsibilities

- Take care of our employees.
- Support the communities where our employees and members live and work.
- Operate efficiently and in an environmentally responsible manner.
- Strategically source our merchandise in a sustainable manner.

SUSTAINABILITY GOVERNANCE & EDUCATION

Sustainability is important to all levels of our company, and we are working together toward our goals and progress on our initiatives. Examples include:

- Regular reporting to our Board of Directors and to the Nominating and Governance Committee, which is the committee with primary oversight of sustainability goals and progress
- Monthly reporting to our global executive team
- Our Vice President of Global Sustainability and Compliance reports directly to our CEO and chairs our newly formed Environmental Social Governance (ESG) Executive Advisory Committee. The Committee is made up of

- cross-functional leadership and helps manage the integration of our sustainability policies into our business
- The Board approved a new Executive Bonus Plan, which includes quantitative performance metrics concerning diversity equity and inclusion, resource consumption, and other emissions and environmental-related areas, and contemplated that emissions reductions will be a qualitative factor in discretionary environmental and social bonuses. The Nominating and Governance Committee and the Compensation Committee will jointly oversee this element of the Plan.
 - We keep our members and employees informed of our efforts through articles in the monthly publication for members, *Costco Connection*, and additional articles for our employees in *Costco Today*
 - We provide training and educational opportunities for our employees and suppliers throughout the year, many of which are discussed throughout this Sustainability Commitment
 - We provide policies and guidelines to our employees and suppliers as well as additional job aids and operational procedures to help our employees comply with our policies and programs

SUSTAINABLE DEVELOPMENT GOALS (SDGS)



In FY2021 and in accordance with Point No. 1 of our 10-point Climate Action Plan, we assessed the United Nations Sustainable Development Goals (SDGs) to prioritize our Climate Action Plan in relation to our business model. The SDGs are 17 globally accepted 2030 goals, with 169 targets that balance economic, social and environmental dimensions of sustainable development.


Following standards set by the UN Global Compact for SDG Disclosure, we conducted a materiality assessment, with assistance from an outside third party, to prioritize what makes sense for our business. The assessment included:


- Undertaking preliminary scenario planning exercises
- Performing risk and opportunity assessments of operations and merchandising
- Incorporating our Code of Ethics and what “doing the right thing” means to us
- Emphasizing the importance of mapping and tracing our value chains, to learn what is actually happening on the ground and to help us help make actual positive change
- Integrating our Forest Conservation Commitment and our key commodities
- Benchmarking against peers for industry alignment – we are comprehensive relative to our peers


We have identified the following SDGs as our priorities:


- Clean Water and Sanitation (6)
- Decent Work and Economic Growth (8)
- Reduced Inequalities (10)
- Responsible Consumption and Production (12)
- Climate Action (13)
- Life Below Water (14) and
- Life on Land (15)


This chart outlines these goals, our initial key performance indicators, our FY2021 baselines and where each SDG is referenced in this Sustainability Commitment.


SDG	Our Goals	Initial Key Performance Indicators	FY 2021 Baseline	Learn More
 6 – Clean Water & Sanitation	Water is a precious and limited resource that cannot be wasted. Costco is committed to improving water use efficiency and reducing operational water waste.	Facilities with operational water monitoring systems (excludes Costco Logistics) Operational Water consumption	67.4% 3,668,243,000 gal	Read more about our Water Minimization efforts


	8 – Decent Work & Economic Growth	Costco is committed to protecting the human rights, safety and dignity of the people who contribute to the success of our business. This includes supporting the welfare of the people who produce, process, harvest and transport the products we sell.	Read through our Supplier Code of Conduct and Strategic Collaborations on our Human Rights page and our Merchandising pages for examples of worker and community support programs at source		
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	10 – Reduced Inequalities	We aim to have a diverse workforce that is representative of the communities where we do business and to foster an inclusive environment. We also aim to make a positive contribution to the well being of the communities where we do business.	Gender and racial/ethnic group representation of our employees	See our Gender and Race and Ethnicity Demographics	See our Employees page to see more of our efforts
See our Communities page to learn about our efforts to support our communities and to invest in where we do business					

	12 – Responsible Consumption & Production	Costco’s goal is to continually decrease the amount of waste going to landfills through reducing food waste at source, feeding hungry people and animals, supporting industrial programs (i.e. Biofuel), composting and other recycling and donation programs.	Waste diversion rates	78.3%	See our Waste Minimization page to learn about our diversion and donation programs
Costco’s goal is to continually decrease the amount and impact of packaging waste through packaging elimination, reduction through redesign, and offering packaging that is widely recyclable, compostable and/or made from recycled content.		Reduction of Kirkland Signature and Fresh Produce plastic packaging, based on supplier reported data.	17M Pounds	See our Packaging page to learn more and see our progress to date on these efforts	

	13 – Climate Action	We will be implementing a series of standards, metrics, and goals to build a holistic Environmental, Social and Governance (ESG) strategy. Meaningful climate action is a central pillar in that work. Our plan prioritizes the mitigation of Scope 1, 2 and 3 CO2e emissions and water usage.	Global Scope 1 & 2 GHG emissions (reported for CY 2020 in alignment w/ CDP Reporting)	2,663,033 mt CO2e	For year over year progress, see our Current CO2e Emissions Tracking page
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 14 – Life Below Water	We will continually source sustainable seafood products from either wild fisheries or farmed aquaculture in ways that help meet current demands without compromising the availability of scarce resources for future generations.	Kirkland Signature wild species product sourced from MSC certified fishery or in a FIP, based on supplier reported data.	59.8%	See our Sustainable Fisheries & Aquaculture efforts
		Kirkland Signature farmed salmon, tilapia, shrimp, and pangasius sourced from ASC certified farms or in an AIP, based on supplier reported data.	49.2%	

 15 – Life on Land	Our goal is to responsibly source wood, paper and fiber-based products in a way that is respectful to the forest ecosystem and the environment. Certifications help to ensure that the needs of the forest ecosystems and their communities are balanced with conservation of our forests for future generations.	Kirkland Signature pulp & paper product certified to FSC, SFI, PEFC and/or recycled content, based on supplier reported data, and as reported in the Sustainability Commitment	99.9%	Read about our Forest Conservation Commitment on sourcing material for KS items and other key commodities
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SUSTAINABILITY ACCOUNTING STANDARDS BOARD

In FY2021, and in accordance with Point No. 10 of our 10-Point Climate Action Plan, we began an assessment of ESG reporting methodologies, best practices, trends and opportunities. We determined that the Sustainability Accounting Standards Board (SASB) Standards would provide investors information pertaining to topics that are relevant to our operations.

We identified two SASB industries most relevant to our business: Food Retailers & Distributors and Multiline; and Specialty Retailers & Distributors. A cross-functional team reviewed these SASB metrics and selected those that were relevant to our operations. With the assistance of third-party consultants, we conducted a data quality risk-assessment of these selected SASB metrics. Based upon that assessment, we identified a subset of SASB metrics for 2021 reporting for our U.S. operations. The following SASB reference table serves as a guide to our initial disclosure for this first year. We intend to expand our SASB disclosures in the coming years.

Topic	FY 21 Metric Data for U.S. Operations ¹	Learn More
Fleet Fuel Management	FB-FR-110a.1 Fleet fuel consumed, percentage renewable	Transportation & Logistics
	1,770,000 GJ, 0% renewable ²	
Air Emissions from Refrigeration	FB-FR-110b.1 Gross global Scope 1 emissions from refrigerants	Energy & Refrigeration
	461,000 mtCO ₂ e from systems with capacity over 50lbs ^{3,4}	
Energy Management	FB-FR-130a.1 Operational energy consumed, percentage grid electricity, percentage renewable energy	Climate Action Plan
	15,036,000 GJ, 62.7% grid electricity, 3.7% renewable energy ³	

Data Security	FB-FR-230a.1 Number of data breaches, percentage involving personally identifiable information (PII), number of customers affected	Data Security
	One (1) breach occurred within the reporting period which may have involved personally identifiable information, less than 500 members impacted ⁵	
	FB-FR-230a.2 Discussion of management approach to identifying and addressing data security risks	
Labor Practices	FB-FR-310a.1 (1) Average hourly wage and (2) percentage of in-store and distribution center employees earning minimum wage, by region	Employees - Compensation & Benefits
	(1) \$24 average hourly wage ⁶ (2) All employees earn more than the regional minimum wage	
	FB-FR-310a.2 Percentage of active workforce covered under collective bargaining agreements	2021 10K: Item 1–Human Capital (page 6)
	8.2% of employees are covered under collective bargaining agreements	
	CG-MR-310a.2 (1) Voluntary and (2) involuntary turnover rate for in-store employees	Employees - Workforce Tenure & Development
	(1) 13.2% voluntary turnover (2) 10.2% involuntary turnover, including seasonal workforce 4.5% involuntary turnover of regular workforce	
Workforce Diversity & Inclusion	CG-MR-330a.1 Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees ⁷	Employees
	(1) Management: 33.5% Female, 66.5% Male 21.0% Hispanic/Latino, 8.1% Black/African American, 6.6% Asian, 3.2% Multiracial, Native Hawaiian/ Pacific Islander, or American Indian/ Alaska Native, 61.0% White (2) Non-management: 44.9% Female, 55.1% Male 30.6% Hispanic/Latino, 9.4% Black/African American, 8.1% Asian, 4.6% Multiracial, Native Hawaiian/Pacific Islander, or American Indian/ Alaska Native, 47.3% White	
Activity Metrics	FB-FR-000.A Number of (1) retail locations & (2) distribution centers	2021 10K: Item 2—Properties (page 19)
	(1) 564 warehouses and business centers (2) 117 logistics and distribution facilities	
	FB-FR-000.B Total area of (1) retail space and (2) distribution centers	
	(1) 7.7 mil m ² operating space (83.2 mil ft ²) (2) 2.5 mil m ² associated with logistics and distribution facilities (27.2 mil ft ²)	

¹ Excludes poultry complex operations.

² Renewable fuel is not directly purchased, however there may be renewable fuel in mix purchased.

³ Data reported reflects calendar year 2020.

⁴ Data is as reported by third-party service technicians and excludes logistics operations.

⁵ Consistent with the NIST Computer Security Incident Handling framework, Costco maintains incident response plans and playbooks that address corrective actions to be taken in response to data security incidents. While the actions themselves are incident-specific, they may include notifications to impacted individuals and regulatory agencies, additional employee communications and training, technical or physical controls or process implementation, and documentation reviews and updates.

⁶ Our "true rate of pay" is \$27, which includes twice-yearly Extra Checks (bonuses) for long-tenured hourly employees.

⁷ Percentages may not total 100% due to rounding.

DATA SECURITY

In its U.S. operations, Costco identifies and addresses data security risks based on several frameworks, including ISO27001, the NIST Cyber Security Framework (CSF), and the Payment Card Industry Data Security Standard (PCI DSS). The company's governance policies, including the Information Security Policy, outline high level strategic information security objectives to meet compliance and regulatory requirements. We have standards, procedures and programs to guide the management of data security risks.

Costco has implemented several technology measures, leveraging third-party security providers when needed, and engages in multiple activities to identify and mitigate vulnerabilities and risks in systems (e.g., scanning for common vulnerabilities and exposures, penetration tests on internal and external networks, code scans on applications, employee awareness and training, internal and external audits). We also review on a risk based priority third parties with whom we do business in an effort to reduce the likelihood of security incidents or business interruptions.

Costco employs a "defense in depth" strategy to address the attack chain and safeguard our systems and information. Some of the measures utilized by Costco include phishing detection and mitigation, multi-factor authentication, information system protection systems such as anti-malware, anti-ransomware, endpoint detection and response, file integrity monitoring, and other system hardening techniques. Networks are protected using network detection and response capabilities, are segmented, and provide flow level visibility into lateral movement potential; e-commerce systems are protected by a web application firewall. This layered defense concept combined with our detection and response capabilities allow us to minimize the potential risk of unauthorized access to our systems and information. Our Vice President of Information Security reports regularly to the Board of Directors and senior management concerning our security practices.

PROGRESS

We continue to incorporate sustainable practices in our business. Our practices are evolving over time, as we learn more and adapt to our ever-changing world, and we update our Commitment to reflect these changes. The data reported is compiled from the best available sources at the time of publication, may change as new information becomes available and will be restated if necessary in future reports.

Our [Sustainability Commitments Archive](#) provides historical versions of the Commitment only as a matter of convenience to users, who may wish to compare them over time. These historical Commitments are superseded in their entirety by the current version of the Commitment and should not be relied upon as currently accurate disclosures or otherwise.

For questions or more information, please contact [Costco Customer Service](#).



EMPLOYEES



COMMUNITIES



OPERATIONS



MERCHANDISING



CLIMATE ACTION PLAN

BACK TO TOP

Statements contained in this document are aspirational and relate to the manner in which the Company currently intends to conduct certain of its activities, based on management's current plans and expectations. These statements are not promises, guarantees, or statements on which you should rely with respect to the Company's conduct or policies, and are subject to a variety of risks and uncertainties, some of which may be material and/or beyond the Company's control. In addition, certain statements contained in this document constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For these purposes, forward-looking statements are statements that address activities, events, conditions or developments that the Company expects or anticipates may occur in the future. In some cases forward-looking statements can be identified because they contain words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "likely," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would," or similar expressions and the negatives of those terms. Such forward-looking statements involve risks and uncertainties that may cause actual events, results or performance to differ materially from those indicated by such statements. These risks and uncertainties include, but are not limited to, domestic and international economic conditions, including exchange rates, the effects of competition and regulation, uncertainties in the financial markets, consumer and small business spending patterns and debt levels, breaches of security or privacy of member or business information, conditions affecting the acquisition, development, ownership or use of real estate, capital spending, actions of vendors, rising costs associated with employees (generally including health-care costs), energy and certain commodities, geopolitical conditions (including tariffs), the ability to maintain effective internal control over financial reporting, COVID-19 related factors and challenges, including (among others) the duration of the pandemic, the unknown long-term economic impact, reduced shopping due to illness, travel restrictions or financial hardship, shifts in demand away from discretionary or higher-priced products, reduced workforces due to illness, quarantine, or government mandates, temporary store closures due to reduced workforces or government mandates, or supply-chain disruptions, and other risks identified from time to time in the Company's public statements and reports filed with the Securities and Exchange Commission. Forward-looking statements speak only as of the date they are made, and the Company does not undertake to update these statements, except as required by law.

Last Updated: May 2022



Costco has 288,000 employees worldwide. A key to Costco's continuing success and growth is the attraction and retention of great employees.

COMPENSATION & BENEFITS

Everywhere we do business, we seek to provide competitive wages and benefits to our employees. The vast majority of Costco's workforce consists of hourly employees in warehouse locations. We compensate these hourly employees very well by retail standards. This helps us in the long run by minimizing turnover and enhancing employee productivity, commitment, and loyalty. We encourage our employees to view Costco as a place where they can have a long-term career rather than just a job.

In the U.S., we provide generous benefits, including affordable health care coverage for full- and part-time employees, and sizable contributions to company-sponsored retirement plans, based on years of service. We provide twice-yearly Extra Checks (bonuses) for long-tenured hourly employees. We believe our paid sick, vacation and leave policies for hourly employees are very competitive by retail standards. We have adopted operational practices designed to benefit our hourly workforce, such as a 50% full-time ratio, guarantees of minimum scheduled hours and weekly schedules posted at least two weeks in advance.

In response to the COVID-19 pandemic and its associated challenges, we began providing premium pay to all warehouse and depot hourly employees in March 2020 and continued for a full year through February 2021, at which time a portion of the premium was built permanently into our hourly wage scales in the U.S. In fall 2020, we also began offering employees additional paid time off to attend to child care and schooling needs through the 2021 school year.

As a business deemed to be essential during the COVID-19 pandemic, Costco expanded its seasonal period, adding over 17,000 employees to the U.S. workforce between March and August 2020.

Our worldwide policies and practices are designed to mirror our practices in the U.S., subject to local regulations, customs and market conditions.

For salaried management in our locations, as well as positions in the corporate and regional offices, we also seek to provide competitive compensation and benefits. In recognition of their impact on Costco's success, Costco implemented an annual Extra Check program for mid-level managers in 2019 with the first payout taking place in September 2020. Although many salaried employees might be able to find higher compensation or better perks at other companies, our retention rates, particularly for longer-term Costco employees, are very high. We believe our competitive compensation and benefits, opportunities for growth and advancement, and the stability and culture of the company drive our strong retention rates.

WORKFORCE TENURE & DEVELOPMENT

In the U.S., our employees average over nine years of service with the company. Over 60% of U.S. employees have five or more years with Costco, and over one-third have more than 10 years. Costco also has long-tenured workforces elsewhere, particularly in more mature markets in Canada, the UK, Mexico and parts of Asia. Worldwide, we have over 17,000 employees that have more than 25 years of Costco service. We feel the experience level and loyalty of our employees gives us a significant advantage.

A related advantage comes from our philosophy and practice of promoting from within our employee ranks. We are proud of the fact that over 70% of our warehouse managers worldwide began their Costco careers in hourly positions. In addition, a majority of our corporate and regional office employees started in our warehouses, depots, and business centers.

We have student retention programs available worldwide that allow our warehouse employees to maintain their employment status while attending college.

We have a voluntary program, Journeys For All, which offers all employees opportunities to succeed through education, mentoring and connection.

We're developing a new Merchandising Recruitment and Employee Development team. Their main responsibility is to optimize talent from our warehouses, depots, and all other operational units for the Home and Regional Offices. The team will educate employees on the roles in Buying, and will support employee onboarding and development. We believe that different perspectives, as well as operational knowledge, will be good for both our Buying teams and warehouse employees.

We have a 12-week program designed to provide supervisor-level merchandising training to management without merchandising experience. Merchandising is an important element of the competencies required of a warehouse general manager, a key position at Costco. We also updated and expanded the opportunities within our current supervisor-in-training program for hourly employees. These programs resulted in a larger candidate pool, increased diversity in applicants and increased employee engagement.



DIVERSITY, EQUITY & INCLUSION

Introduction

Our Code of Ethics makes clear our commitment to take care of our employees. It has always been Costco policy that employees deserve an environment free from all forms of unlawful employment discrimination. All decisions regarding recruiting, hiring, promotion, assignment, training, termination, and other terms and conditions of employment will be made without unlawful discrimination on the basis of race, color, national origin, ancestry, sex, sexual orientation, gender identity or expression, religion, age, pregnancy, disability, work-related injury, covered military or veteran status, political ideology or expression, genetic information, marital status, or any other protected status.

Our work on diversity and inclusion is not new, but it continues with increased emphasis. Costco's philosophy of creating an inclusive and respectful workplace is part of our culture to ensure that everyone feels included and respected in all aspects of our business. We know that embracing differences is important to the growth of our company as it leads to opportunities, innovation and employee satisfaction.

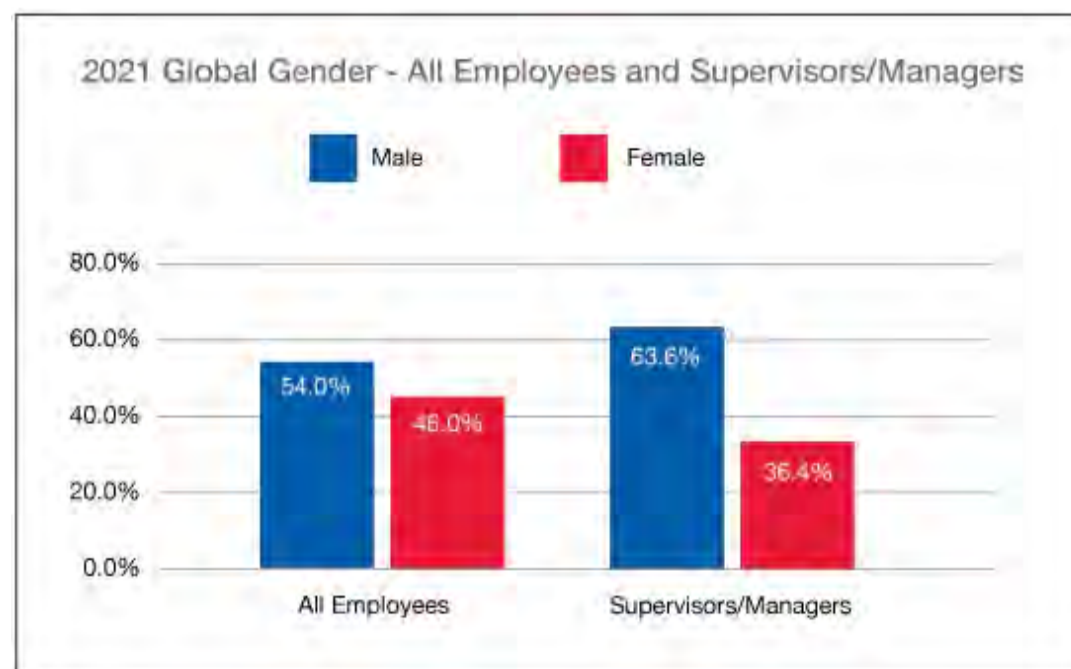
Awareness, Training and Education

The events of 2020 gave us the opportunity to evaluate where we are and how we can be even better. Among other things, we committed to additional training for managers on race, bias, and equity, and greater visibility of our employee demographics. We also provided educational resources to support management on engaging in inclusive conversations. We continue to provide training in anti-harassment, anti-discrimination and anti-retaliation.

Diversity at Costco

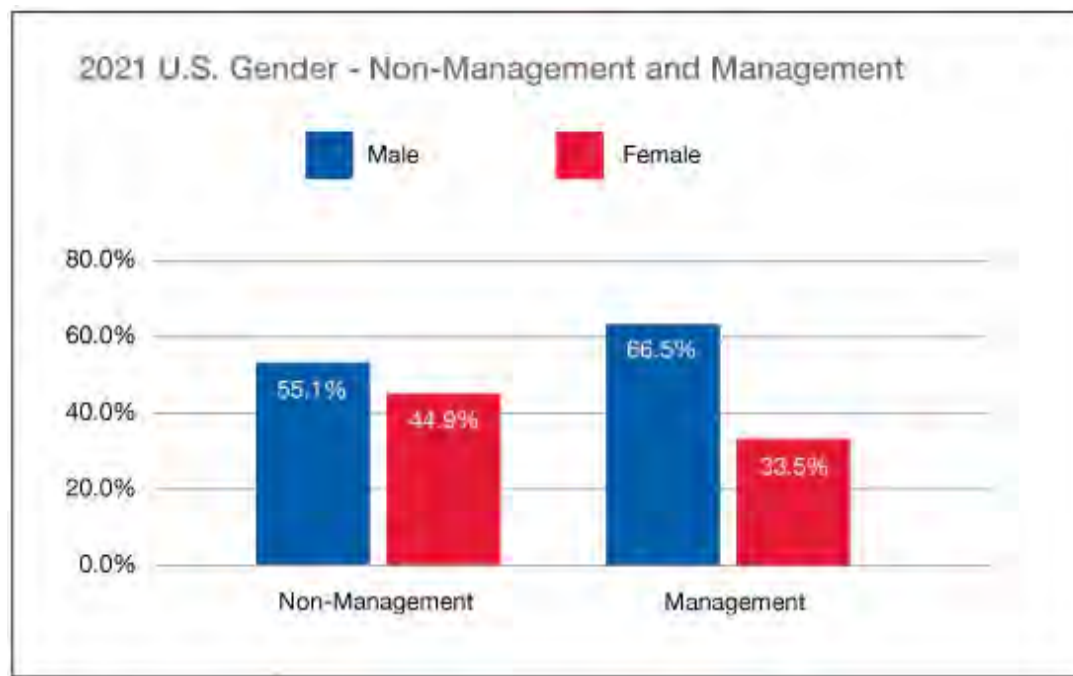
Our workforce is representative of the communities where we do business. We closely monitor demographic data at all levels across the organization, as an element of tracking our progress.

Among Costco's global workforce, 54.0% identify as male and 46.0% as female. In Supervisor/Manager positions in our global operations, 63.6% identify as male and 36.4% as female. For purposes of this year's reporting, "Supervisors/Managers" does not include employees working in our corporate and regional offices and pharmacies.

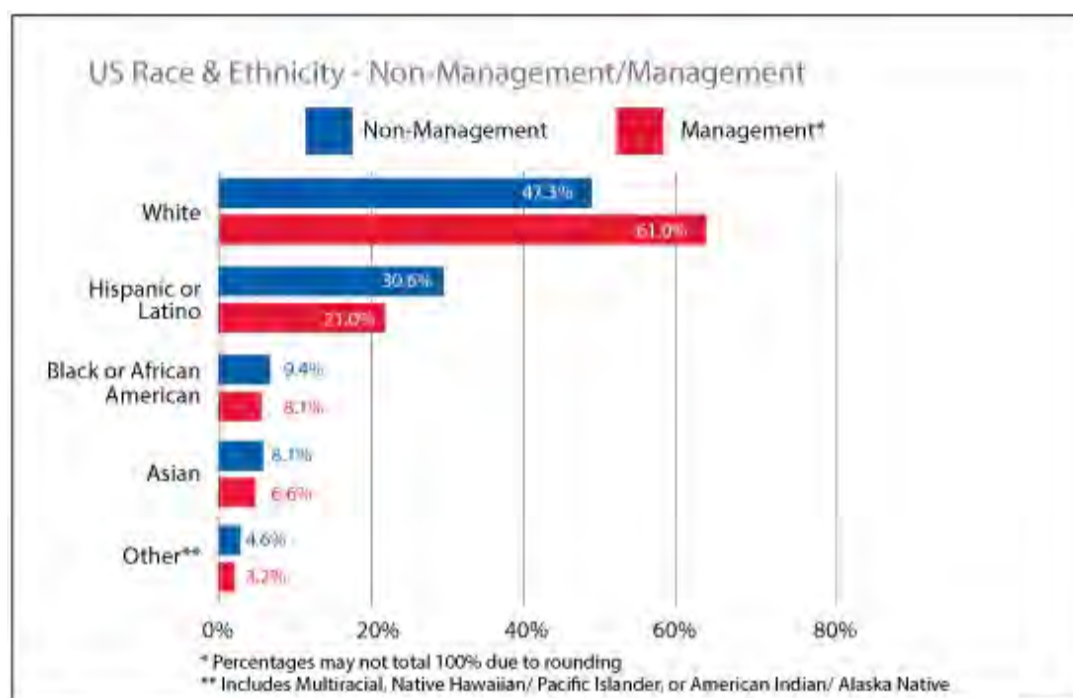


Gender and Race/Ethnicity Demographics - U.S.:

In the U.S., in FY21, 55.1% of non-management employees identify as male, and 44.9% as female. Of employees meeting the EEO definition of "management," 66.5% identify as male, 33.5% as female.



In the U.S. in FY21, 47.3% non-management employees identify as White, 30.6% as Hispanic or Latino, 9.4% as Black or African American, 8.1% as Asian and 4.6% as Other. Of employees meeting the EEO definition of "management," 61.0% identify as White, 21.0% as Hispanic or Latino, 8.1% as Black or African American, 6.6% as Asian and 3.2% as Other.



More information about the demographics of Costco's U.S. workforce can be found in this [Equal Employment Opportunity summary](#).

Our 10-member Board of Directors has three women and one person of color. For the company's U.S. officers (Assistant Vice President and above), 24% identify as women and 18% identify as a race or ethnicity other than White.

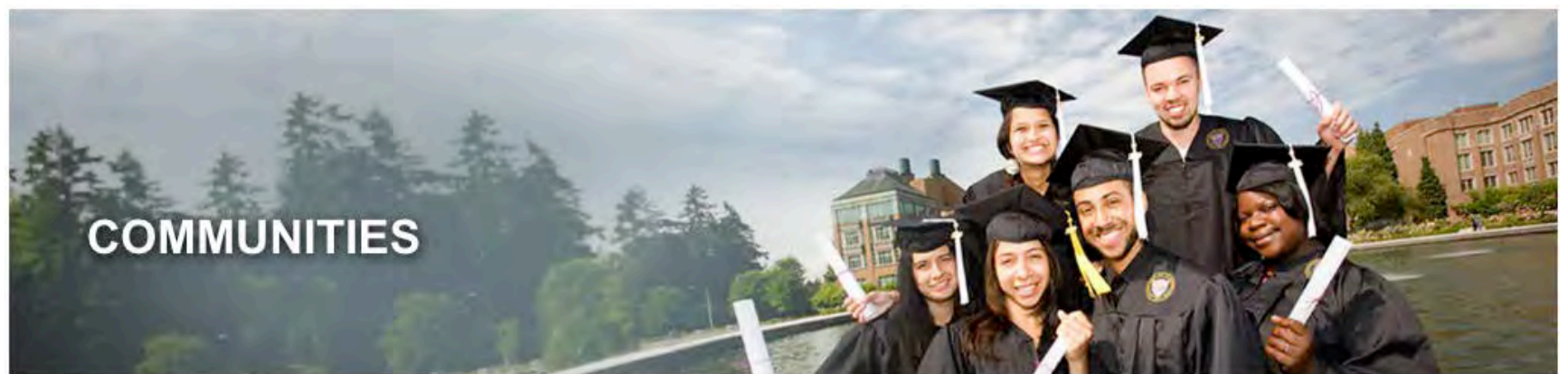
More information about our Diversity efforts within our communities can be found here [Community Investment](#) and with our Suppliers can be found on our [Supplier Diversity Program](#) page.

CULTURE, ETHICS & OPEN DOOR

We strongly value our culture. Costco employees know that an important factor in our past and future success has been and will be our commitment to simplicity, value, fairness, member service and always striving to do what is right. Our employees are essential to teaching and reinforcing Costco's unique culture. It is imperative that we continue to perpetuate this culture throughout the company, wherever we do business. We encourage an atmosphere of openness and support with our Open Door Policy, which allows any employee to discuss any issue with any level of management.

All Costco employees and suppliers are expected to promptly report actual or suspected violations of law and our Code of Ethics. Multiple reporting options are available, ranging from the Open Door Policy to our confidential and anonymous ethics hotline available globally in multiple languages at www.costco.ethicspoint.com. We also conduct employee surveys to obtain feedback concerning ethics, compliance and engagement.

BACK TO TOP



Our business is successful not only when we provide quality merchandise at a good value for our members, but also when we make a positive contribution to the well-being of the communities where we do business – and where our employees, members and suppliers live and work.



CHARITABLE CONTRIBUTIONS

Costco's commitment is to be active in our local communities. We have a Charitable Contributions Committee that meets quarterly to determine which programs to support and how to best meet the needs within our communities. We budget 1% of pretax profits for selected charitable contributions focused on children, education, and health and human services. In fiscal year 2021, we contributed over \$58 million to disaster relief and to hundreds of organizations through a variety of charitable programs and grants, including \$1 million to the Vaccine Equity Initiative, which expanded vaccine access to hardest hit, underserved communities. Additional examples include United Way, Children's Miracle Network Hospitals, Communities in Schools, Feeding America, American Red Cross, College Success Foundation, Thurgood Marshall College Fund, United Negro College Fund, and Fred Hutchinson Cancer Research Center. Visit the list of our top [U.S. recipients for FY2021](#).

We provide financial assistance to underrepresented minorities, including scholarships and other educational opportunities to help fill the financial gap. We also offer access for many deserving students to enhance their education. For example:

- In the past 21 years, we've raised over \$65 million through the Costco Scholarship Fund for scholarships for underrepresented minorities to attend the University of Washington or Seattle University; over 2,000 scholarships have been awarded;
- We've donated over \$65.8 million to other schools and organizations for scholarships and educational opportunities for underrepresented minorities. In 2021 alone, we donated over \$5.8 million for scholarships and other educational opportunities
- We've helped establish and have donated \$10 million to the College Success Foundation, which is dedicated to supporting underserved, low-income students beginning in middle school and continuing through college.

More information about our charitable programs can be found on the [Charitable Contributions](#) page.

FOOD DONATIONS & FOOD SECURITY

During 2021, many food banks were affected by COVID-19. There were shortages in volunteers, donation pickup interruptions and an overall increase in need from communities all over the world. Our goal was to continue to donate as much as possible to the communities where we operate to support those in need.

In fiscal year 2021, we contributed \$3.5M in cash grants and over 70 million pounds of food and other products from our U.S. warehouses and depots to [Feeding America](#). All of our international locations also donate to local food banks.

Our food donation programs are part of our Waste Minimization Programs and we follow the Food Waste Hierarchy to prevent wasting food and to keep food out of landfills. More information about food donations can be found on the [Waste Minimization](#) page.

In addition, we make efforts in multiple ways that enhance food security for millions of people through our offerings of affordable and nutritious food. To learn more, review our [Report on Food Security](#).

NON-FOOD DONATIONS

Costco continues to grow its program with [World Vision](#) to donate first-quality items that used to be destroyed, recycled or returned to the supplier. In fiscal year 2021, we donated to people in need in 32 countries. More information can be found in the [Costco-World Vision Summary](#), which contains a list of the items donated and some stories that illustrate the impact of these

donations.



COMMUNITY INVESTMENT

In order to support a more inclusive economy, and to break down race and class barriers to opportunity and growth, Costco has committed to investing in the following programs:

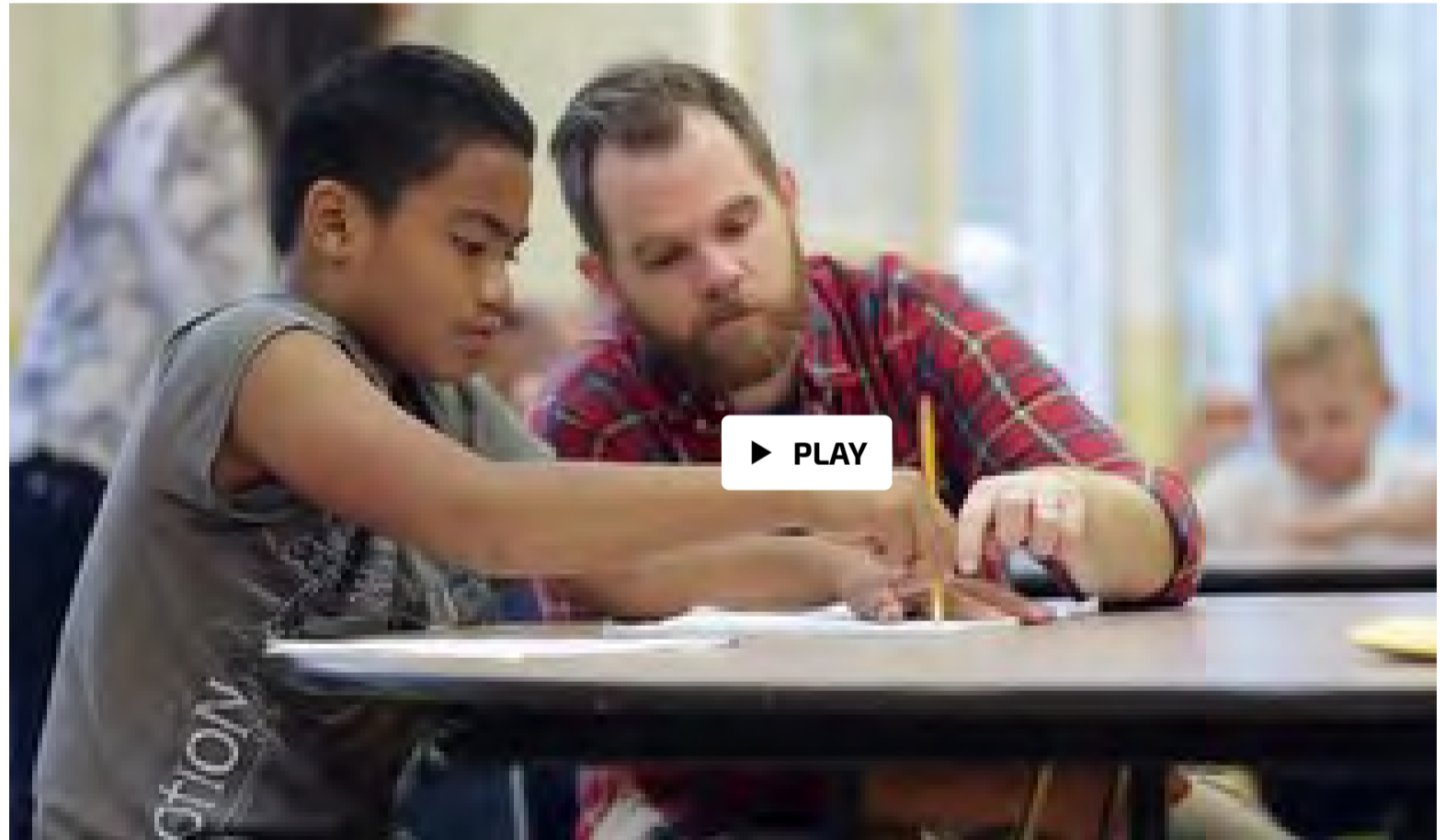
- \$25 million committed to the [Black Economic Development Fund \(BEDF\)](#) managed by the Local Initiatives Support Corporation. The primary objective of the BEDF is to target Black-led or Black-owned financial institutions, developers, businesses, and anchor institutions with improved access to capital in order to incentivize economic activity and wealth building opportunities in Black communities across America.
- \$1 million invested in the [Fearless Fund](#), the first Venture Capital fund built by women of color, for women of color to address the disparity that exists in venture capital funding for businesses led by women of color.
- \$10 million committed to the [Entrepreneurs of Color Loan Fund \(EOCLF\)](#) managed by the Local Initiatives Support Corporation. EOCLF will partner with Community Development Financial Institutions to improve access to capital for minority entrepreneurs and also provide coaching and mentorship.



COMMUNITY SUPPLIER DIVERSITY

Costco Wholesale is committed to working with qualified minority- and women-owned suppliers in the communities where we do business. This is consistent with our overall commitment as a company to foster an inclusive environment, free from inequity and unlawful discrimination. More information can be found on the [Supplier Diversity](#) page.

More information about our Diversity, Equity and Inclusion practices can be found on our [Employees](#) page.



EMPLOYEE VOLUNTEERING

Watch this video to learn more about how Costco employees engage with the community.



Costco Employee Volunteer Reading Program

Costco's Volunteer Reading Program, which originally began in 1998, has grown to over 456 programs in the U.S., Canada and Australia. Over 70% of eligible locations participate with over 2,600 volunteers contributing their time to this successful program. Due to COVID-19, we paused this program and anticipate we will begin again in FY22.



HEALTH CARE

Products and Services

Costco provides low-cost, quality eye care through independent optometrists and our optical departments, hearing aid services and supplies in our hearing aid centers, and prescriptions and other health-related products in our pharmacies. Costco also provides flu shots and other immunizations, health screenings, and other health-related programs.

In FY20, we donated and/or provided at cost hospitals and government agencies with masks, hand sanitizers, surface wipes, gloves and personal care items to help them respond to COVID-19. In FY21, we continued to provide COVID-19 support by providing vaccines as referenced below.

Pharmacy Services

Besides being a low-cost source for prescription medications in 694 pharmacies worldwide, Costco continues to expand the following special prescriptions and services in the U.S.:

- **Specialty drug** customized pharmacy services that require patient-specific dosing and careful clinical management. More information can be found at [Specialty Drug Programs](#).
- **Access to naloxone** without a prescription in 44 states; Washington, D.C.; and Puerto Rico. Naloxone is a life-saving medication that reverses an opioid overdose, and is part of the national strategy to combat the opioid overdose epidemic.
- **Prescriptions for contraceptives** in California, Colorado, Hawaii, Idaho, Maryland, Montana, New Mexico, Oregon, Utah and Washington, with the intent to roll out the program where allowed by law.
- **Travel Medicine Services** in California, Hawaii, Idaho, Illinois, Oregon, Texas, Washington, and Wisconsin, which includes a pre-travel consultation to determine any health risks based on your itinerary and activities, a review of your health history and immunization status, tips on how to stay healthy during your trip, and a list of the recommended immunizations and medications.
- **Costco Pharmacies** have given over 615,000 COVID vaccines to date, including partnering with local school districts and organizations.

Pharmacy Benefit Programs (PBM)

Costco Health Solutions offers an alternative prescription benefits program dedicated to delivering the best pharmacy care to employers and their members. This includes a full spectrum of cost-effective, high-quality clinical programs that provide members with the care they need to help meet their health and quality of life goals. Our PBM program guarantees that 100% of all discounts from manufacturers for prescriptions will be passed back to the client. Companies that participate in Costco's prescription benefit program typically reduce costs by 10 to 25%. More information can be found here: [PBM programs](#).

Optical Services

Besides being a low-cost source for eyewear in 767 optical departments worldwide, Costco also provides access to optical health services in the U.S., such as:

- **Independent Doctors of Optometry** located at or next to Costco Optical in most states.
- **Licensed and/or Certified Opticians** to answer eye care questions. Costco accepts most vision insurance plans.

Hearing Aid Services

Costco has 715 hearing aid centers worldwide, staffed by licensed hearing aid specialists. Besides providing hearing aid tests and low-cost, high quality hearing aid devices, Costco also helps to improve the education of Hearing Aid Specialists through the Hearing Aid Apprenticeship Program. As a result, Costco has helped over 1,015 people in the U.S. become hearing aid specialists since 2006.

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Costco's sustainability commitment also focuses on managing our operation of over 815 locations worldwide in an energy-efficient and environmentally responsible manner. Our efforts involve sustainability assessments, including energy and resource consumption reviews within our operations. We remain committed to improving our energy systems controls and performance and to the reduction and diversion of waste throughout our operations. This supports our mission to remain a low cost operator, as we remain focused on programs that best serve our communities, promote environmental stewardship and reduce our carbon footprint.



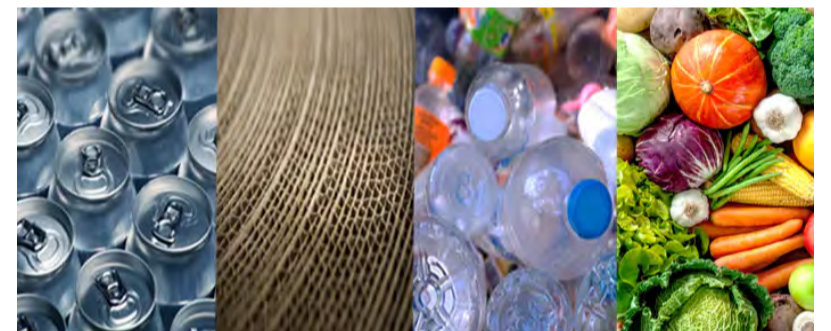
CONSTRUCTION, LANDSCAPING & PRESERVATION



ENERGY & REFRIGERATION



TRANSPORTATION & LOGISTICS



WASTE MINIMIZATION



WATER MINIMIZATION



ENVIRONMENTAL COMPLIANCE

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Costco is aware of its responsibility to design and construct its sites and buildings in an energy-efficient, sustainable and environmentally responsible manner.



CONSTRUCTION

Sustainable Design

Our warehouse designs are consistent with the requirements of Leadership in Energy and Environmental Design (LEED), an internationally accepted benchmark for green building design and construction. In Shanghai, China, Costco's Minhang building qualified for the Green Building Design 2-star certificate.

Costco continues to improve the design and construction of its buildings, as technological advancements in these areas and building materials improve. Engineering and design improvements have resulted in the use of less materials, such as columns and I-beams, while providing more strength. Costco prefers full metal buildings in order to use the maximum amount of recycled material and reduce construction and maintenance costs.

Adaptive Reuse and Historic Preservation

When it makes sense, Costco incorporates adaptive reuse, which refers to the process of reusing an existing building for a purpose other than for which it was originally built or designed. Besides being a part of our sustainability efforts to responsibly construct our buildings with the least amount of environmental impact, in some cases adaptive reuse supports historic preservation. Below are some recent examples.



In **Thorncliffe Park, Ontario, Canada**, our warehouse located in suburban Toronto is part of a building built in 1964, designated as a heritage site and considered one of the last remaining examples of mid-20th century modernist commercial architecture in the region. Costco architects devised a solution for saving the historic facade through the incorporation of the warehouse entry and food court.



In **Stevenage, England**, we incorporated the concept of adaptive reuse of a building originally designed and constructed in 1963 in consultation with Félix Candela, the Spanish Mexican architect. Besides helping to preserve a historically and architecturally important structure, we were able to use less new building material.



In **Coralville, Iowa, United States**, the L-shape property, which included two pre-existing warehouses joined at one corner, was redesigned to accommodate our business needs. Adapting the existing buildings reduced construction costs by approximately \$5 million, and created convenient, out-of-the-weather access for members. Additionally, the garage mitigates the significant cost of snow removal during Iowa's sometimes harsh winters.

Recycled Materials

To reduce the use of virgin resources, materials are selected that utilize high percentages of recycled content. Examples include:

- New U.S., Canada, Mexico, and some international locations in Spain, Taiwan, and Australia utilize prefabricated structural steel systems, which is 80% recycled content.
- Costco often incorporates existing structures into its designs.
- Metal building insulation utilizes ECOSE® Technology, which contains an average of 76.98% recycled content.
- Recycled asphalt is used in some new parking lots with recycled concrete as a base material.

Other Sustainable Features

When and where it makes sense, Costco incorporates other features into its buildings to reduce the use of resources and to save money, such as:

- Roofs maintain a reflectance rating of .68, emittance of .25 and SRI of 63, lessening the heat gain on the roof.
- The erection efficiency of the structural system (columns, beams, trusses and bracing) and envelope (metal roof and siding) reduce the overall construction duration, saving time and money.
- High-efficiency restroom fixtures save 40% more water.
- Mechanical heat from refrigeration systems is captured to preheat hot water tanks.



In **Villebon, France**, we incorporated additional sustainability features that include:

- Increased landscaping areas
- 2 Green Walls (pictured above)
- Recovery of rainwater for watering and water retention system
- Optimization of natural lighting to minimize consumption linked to artificial lighting
- Implementation of water and energy meters for each type of use in order to monitor and optimize consumption together with sanitary fittings to reduce water consumption
- Ten electric charging stations available for members to recharge their vehicles

LANDSCAPING

Sustainable Landscaping

Site designs take into account the surrounding environment and ecosystems, are mindful of wetlands and habitats, and preserve natural wonders. Examples include:

- Landscapes exceed minimum requirements in order to create high impact and beautiful landscapes appropriate to the location.
- In comparison to typical development standards, Costco provides larger trees, greater planting density, drought-tolerant species, native vegetation and less manicured lawns.



Before



After

- Costco continues to experiment with vegetation removal using goats, with programs in Oregon, Texas and Washington. These programs can save the company money in landscaping costs and eliminate the use of herbicides to kill unwanted and invasive vegetation. Costco continues to look for opportunities to expand this program where it makes sense.

Natural Preservation

Natural preservation of natural wonders or indigenous lands is also important to Costco and our landscaping designs try to take this into account. Examples include:



The **Merida, Mexico**, location has a cenote (a natural sinkhole that can be filled with groundwater) onsite that was repaired and cleaned, and is named Kakutzal, a Mayan word meaning “back to life” or “rebirth.” Onlookers can view the beauty of the natural anomaly from above from a bridge incorporated into the property.



The **SW Calgary, Alberta, Canada**, warehouse is located on the lands of Tsuu T’Ina First Nations People in a commercial development reserve named Taza. Together Costco and the Tsuu T’Ina determined how to blend the building into its environment in order to honor the Tsuu T’Ina’s intent that Taza be a 100% carbon-neutral development, which reflects the heritage of the plains, using only native plant and tree species in its landscaping.

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Costco understands that the interrelationship between energy usage and refrigeration management is a key component to the reduction of our Scope 1 and 2 carbon emissions. As regulations change related to refrigerant types allowed for commercial use, efforts to install and/or upgrade our global refrigeration systems will continue to be a focal point.

Additionally, purchased electricity is the largest source of our Scope 2 carbon emissions and is also a significant annual expense. When we reduce our usage, we save expenses, which helps us to remain a low-cost operator and we reduce our emissions.

More information about our Scope 1 and 2 emissions can be found in our [Climate Action Plan](#).

CONTINUOUS IMPROVEMENT THROUGH TECHNOLOGY & COLLABORATIVE LEARNING



We continue to use monitoring solutions and tools to identify energy consumption opportunities throughout our operations. To further enhance this effort we use the actionable data from these monitoring systems to equip our global operations with ways to identify opportunities to reduce energy consumption.

Costco continues to implement enhanced processes, procedures and energy management systems to aid in consumption awareness, engaging site staff in realizing operational energy system efficiencies and controls. In addition, Costco has rolled-out training and tools to support global site tracking and reporting of GHG carbon emissions source data.

Our process for emissions tracking includes a step-by-step reference guide (Global Carbon Emissions Reporting Guide) to support Costco-owned or leased sites, including: warehouses, business centers, depots, distribution facilities, delivery operations, manufacturing sites and offices. The process involves tracking of all Scope 1 sources at each location. Purchases for fuel, dry ice and CO₂ (consumed) and/or refrigerant fills are tracked. These totals are then entered into Costco's emissions platform at each site.

In 2021, our U.S. Regional Environmental and Sustainability Compliance Managers continued to conduct Sustainability Technical Assistance Reviews (STARs), which assess operational efforts to engage in Costco's Sustainability programs, which includes reducing energy.

More information about the STAR can be found on our [Environmental Compliance](#) and [Climate Action Plan](#) pages.

We continue to improve the efficiency of refrigeration and HVAC systems by exploring and implementing new designs to maximize energy and water consumption efficiencies, while reducing potential for global warming as systems are considered for each site design application.

In order to stay abreast of regulatory changes and new technological advancements, Costco holds annual training sessions for our global Sustainability and Compliance teams. It is here that we share and learn about best practices, to increase awareness about the importance of climate change, and to learn how to reduce our carbon footprint and save energy, all of which in turn saves money.



ENERGY-SAVING PROGRESS

Costco continues to implement improved systems and technologies in order to save energy and reduce our carbon footprint throughout our locations worldwide. Examples include:

- In 2020, U.S. locations began testing the use of display case shields (above photo) to reduce energy use. The shields are utilized during hours warehouses are closed to reduce power use while maintaining product temperature. As a result, there is less load on the refrigeration system with improved product temperature maintenance.
- Energy Management and Lighting Management Systems continue to be used **globally** to allow control of heating and cooling set points, lighting schedules, and system troubleshooting.
- Costco continues to enhance system tools and reporting to improve visibility to peak kWh consumption related to both lighting and refrigeration systems. As of 2020, new assessments for **U.S. locations** include a review of site peak consumption to identify and support maximizing energy efficiencies.
- Beginning in 2019, **Mexico** locations have used a new energy measurement project to provide real-time kWh consumption assessments. Through FY2021, the project identified energy saving opportunities in several locations to improve efficiency in refrigeration, HVAC and lighting. Given the success of the project, these measuring systems will be rolled out to additional locations.
- Locations in the **UK** have completed LED lighting conversions and have installed Voltage Optimization units at all locations to regulate/optimize incoming voltage which ensure operational efficiency.
- Locations in **South Korea** are equipped with centralized fire and energy monitoring and control systems. Other monitoring systems, including electrical, gas, refrigeration and elevator systems, are managed by a certified, on-site professional. As an example, the ventilation system and HVAC can be programmed or manually controlled by the centralized system relative to outside environments (temperature, humidity and wind) to maintain the optimal indoor atmosphere and refrigeration, and to maximize the energy conservation. Each location examines monthly energy consumption to identify opportunities to improve efficiencies, accordingly.
- **Taiwan** utilizes an operations energy management system to drive consumption efficiency through focused training and review of utilities (gas, electricity and water systems) usage and optimization measures.
- **Iceland's** geothermal system produces hot water that provides space heating and hot water supplies throughout the location. In addition, this system facilitates snowmelt to free up sidewalks and key areas in front of the building, including the gas station forecourt (filling area) and the receiving (freight area) ramp.



SOLAR POWER

Costco continued to increase the number of locations with solar photovoltaic systems to 120 locations throughout the United States and in Spain, the UK, Taiwan, Japan and Australia as of the end of FY21. Additionally, some locations have implemented the use of solar power in the parking lots.



LIGHTING SYSTEMS

The conversion to LED ceiling lights in older U.S. buildings that began in 2016 continued in FY21 and is largely completed, with an estimated energy savings of over 235 million kWh per year. In addition, LED conversions continue throughout the company and include exterior lighting, ancillary departments, point-of-sale refrigerated boxes and gas stations. Lighting in new construction utilizes LED technology.



FUEL CELL TECHNOLOGY

In 2017, Costco began piloting the use of fuel cells as an additional source for generating on-site electricity. As of the end of FY21, we now have 12 locations in California powered in part by fuel cells that generate an estimated total of 62 million kWh of energy annually. To date Costco has found the following benefits:

- Lower demands on existing electric utility infrastructure
- Lower overall combined power and natural gas expenses



REFRIGERANT MANAGEMENT

Costco recognizes that refrigerants have a major impact on our climate. We continue to explore new refrigerant technologies and carefully select refrigerants that are low in Global Warming Potential (GWP) and reduce GHG emissions. We work with certified contractors who adhere to best management practices in the installation, maintenance and decommissioning of equipment and to control leaks impacting the environment.

We have a multifaceted plan to address energy and emissions that continues to expand as we learn more and as new governmental regulations are implemented. Additionally, as purchased electricity is our largest source of our operational cost contributing to emissions, we will seek operational efficiencies through the following ongoing efforts:

- Reviewing our cooling and heating systems with an approach to integrate them with our refrigeration systems for optimal performance
- Piloting various systems to detect refrigerant leaks
- Eliminating skylights in new construction and covering skylights in existing locations to lessen the workload of HVAC systems
- Purchasing renewable energy and/or installation of solar energy systems where feasible
- SOPs and employee trainings to address refrigeration maintenance and energy consumption
- Migrating to CO2 refrigerants where it is operationally viable and as of the end of FY21, CO2 is currently in use in select locations in the **U.S., Canada, Spain, the UK, Iceland and Australia**
- Equipping buildings with state-of-the-art leak detection systems to identify refrigerant leaks, and triggering system alerts to support more expedient leak detection for faster resolution
- Enhancing location-level collection of refrigerant leak data
- Considering systems for reducing potential for global warming for each site design application. An example of this would be in high ambient temperature climates, Costco has installed adiabatic systems that are hybrid systems and use an energy-efficient combination of fans and water to cool refrigeration systems throughout the day
- Working with certified contractors that adhere to best management practices in the installation, maintenance, and decommissioning of equipment, and to control leaks impacting the environment
- Installing new equipment in California with a capacity of 50 pounds or greater (22.7kg) required to use refrigerants with a GWP of less than 150. As a result, all new warehouses in California will use CO2 in their main refrigeration system



- Installing insulated doors to the walk-in refrigeration point of sale coolers in our U.S. and Mexico locations, which are closed when we are not open. These doors allow point-of-sale coolers to maintain temperature more easily while putting less stress on the refrigeration system. While we originally estimated annual savings of 95,000 kWh per location, we learned that after analyzing our data for insulated doors in place for at least a year, the actual savings are 25,000 to 35,000 kWh per location. Given these continued savings, we will continue to add the insulated doors in our new locations and remodels when appropriate.

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Costco's core objectives include optimizing and streamlining our ordering and distribution systems. We aim to reduce our carbon emissions by seeking ocean, rail and road transportation efficiencies. We also strive to improve delivery fleet efficiencies and we support our employees' efforts to reduce their transportation energy consumption.



DEPOT DISTRIBUTION CENTERS

Costco's depots (distribution centers) help reduce delivery costs by utilizing cross-dock systems for handling full pallets of merchandise from suppliers to warehouses (selling locations). Costco continually evaluates its processes and implements ways to improve shipping efficiencies. These measures include optimizing packaging design and pallet configuration – resulting in more products on a pallet, while striving to reduce packaging, protect merchandise and reduce delivery trucks on the road.

Another way Costco reduces costs is by analyzing state weight and length oversize permits, and by using specialized equipment where geographically possible to handle heavier loads. Costco also employs longer combination vehicles to maximize trailer utilization.

In 2021, we began an electric tractor pilot to determine its efficiency when evaluating maintenance, loadable weights, routes and the length of hauls between charging. We also started testing electric terminal tractors and are receiving good feedback from our drivers. Future rollout of both vehicles will be determined upon completion of the pilot and test programs.

Reverse Logistics

The transportation team always looks for ways to reduce empty miles involving trucks returning to the depots from the warehouses (known as “reverse logistics”) to improve efficiencies, save costs and take more trucks off the road, which reduces carbon emissions.

Examples include:

- Picking up truckloads of merchandise that are destined for a Costco depot for distribution to a regional group of warehouses
- Loading trailers with returned goods that are headed to salvagers or need to be returned to the supplier, and consolidating those shipments into truckloads
- Growing the World Vision program to donate many of these goods to communities in need worldwide. More information can be found in the [Non-Food Donations](#) section
- Loading the trailers with recyclable materials to be consolidated and resold, such as corrugated cardboard, LDPE stretch wrap, metal and plastics

In addition, these streamlined reverse logistics programs help us to reduce our merchandise handling costs and/or help free up sales floor space in the warehouses.

Fulfillment Centers

Some of Costco's distribution centers in the U.S. and Canada also serve as fulfillment centers for our Ecommerce business. The strategic locations and procedures implemented provide us with business efficiencies that reduce expenses, our shipping footprint, carbon emissions and packaging. You can learn more about our sustainable packaging practices on our [Packaging](#) page.



BUSINESS DELIVERY FLEET

Costco's Business Delivery fleet continues to expand its internal initiative called "Truck of the Future," which is aimed at maximizing efficiency in our growing delivery fleets. In 2018, Costco successfully field-tested a customized vehicle with Penske Truck Leasing that improves the payload capacity by reducing body weight. This lighter truck increased the miles per gallon, lowering our fuel costs and carbon footprint. In 2020, we continued the rollout that started in 2019 of these vehicles, and will continue as we add and renew fleet leases.

Additional efficiency features and pilot programs implemented in 2019 continue and include:

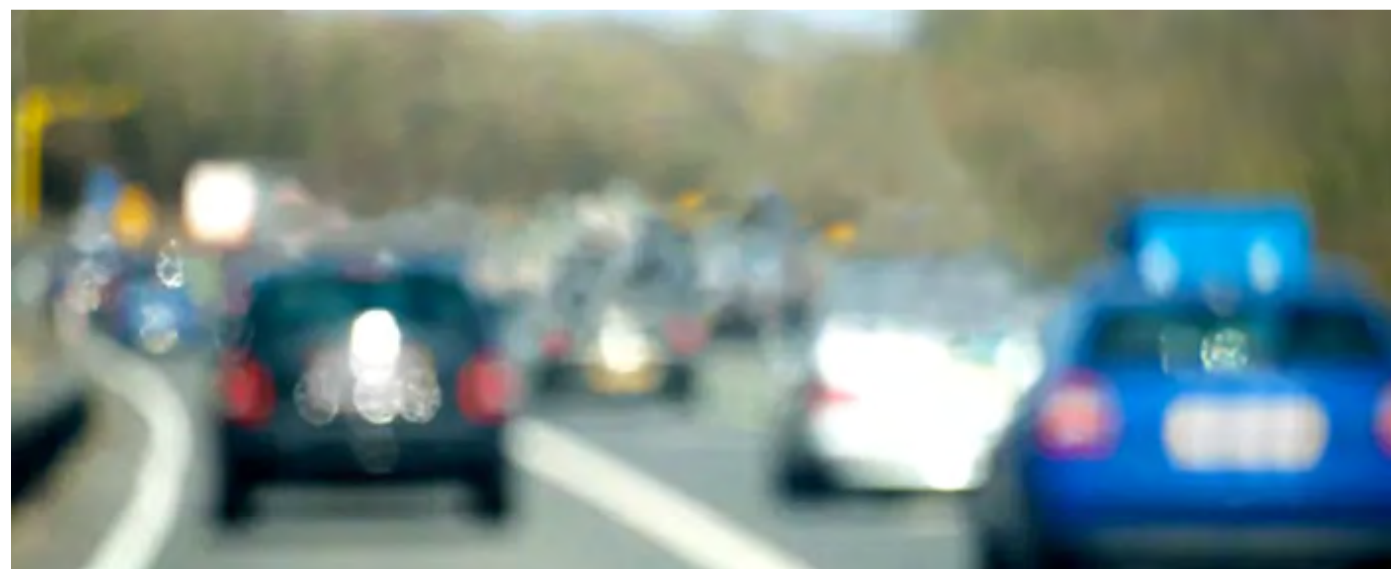
- Testing solar power to replace batteries
- Using half pallets that are lighter and more efficient for delivery to small businesses
- Implementing new coolers that reduce the amount of dry ice by replacing them with gel packs
- Continuing to test EV trucks and working with Penske to review available funding along with onsite charging options

Costco Business Delivery Centers also have implemented procedures to use electric plug-in shore power, tying into the grid to allow our refrigerated trucks to maintain temperature while being loaded and stored. This eliminates the previous practice of running the diesel reefer engine, thereby saving fuel and eliminating carbon emissions by over 70 percent for each truck that uses shore power.

Additionally, the Business Delivery fleet utilizes telematics – a standard option routing system now on all 2017 and newer Hino Trucks. This allows Costco to identify opportunities to enhance mileage consumption through efficient routing that also decreases idle time.

COSTCO LOGISTICS

In FY20, Costco acquired Innoval Solutions (since renamed Costco Logistics), a third-party, end-to-end logistics company that provides "final mile" delivery across the U.S. and Puerto Rico, complete installation, white glove capabilities for "big and bulky" products, and dedicated call centers. With over 1,500 new employees, and over 100 facilities, we are able to improve and grow our Ecommerce sales of "big and bulky" items at a faster rate, while also improving overall member service and speed of delivery for these items.



EMPLOYEE TRANSPORTATION

Costco continues to encourage its employees to utilize alternative forms of transportation with the goal of reducing energy consumption, emissions and commuter gridlock. The Commute Trip Reduction (CTR) program began more than 20 years ago at the corporate office with 18 vanpools, and by early 2020, had grown to 69 vans with 494 riders. The ongoing pandemic and remote working opportunities have significantly decreased employee need and/or interest in vanpools. At the end of fiscal year 2021, we had 37 active vans, with 29 currently operating on a weekly basis. Vans, fuel, maintenance and insurance are provided by five local transit agencies. Employees also receive a substantial financial subsidy from Costco, which in many cases covers their entire monthly commute expenses. Employees who regularly ride the bus are also eligible for this financial subsidy. Costco also has vanpools at its San Diego, Los Angeles and Mexico City regional offices, as well as many Costco warehouses.

In May 2019, Costco's corporate offices began a pilot program with Waze Carpool for employees who want to commute more efficiently, yet lack the flexibility or consistency required to commit to a vanpool. This program allows us to track metrics monthly, including the number of carpools, average commuting distance, total miles carpooled and CO2e avoided. Although this pilot ended and Costco did not roll out an official, company-sponsored Waze Carpool partnership, we are aware there are some employees that continue to utilize this program. Additionally we continue to have many employees who choose to informally carpool with coworkers. We also offer secure bicycle storage facilities and locker room use for employees who choose to ride to work. Finally, recharging stations are available at our corporate offices for employees who drive electric vehicles.



CHARGING STATIONS

Costco continues to increase available electric vehicle charging stations and now has 14 locations (including the corporate office), supporting 50 charging stations.

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Costco understands our potential impact on the global waste stream and greenhouse gas emissions caused by waste. Our goal is to continually decrease the amount of our waste going to landfills, with a goal to divert 80% of our waste.



WASTE DIVERSION FROM LANDFILL

	FY2018	FY2019	FY2020	FY2021
Landfill/ Incineration	273,389 U.S. Tons	312,487 U.S. Tons	291,269 U.S. Tons	327,874 U.S. Tons
Diverted from Landfill/ Incineration	683,493 U.S. Tons	831,594 U.S. Tons	907,114 U.S. Tons	1,185,952 U.S. Tons
Diversion %	71.4%	72.7%	75.7%	78.3%
Reporting Regions	5	10	12	12

In fiscal year 2021, Costco reported a diversion rate of 78.3%, with 12 regions reporting. We are continuing to develop our reporting systems that further refine our diversion rate for all regions where we operate, and to further include all ancillary business operations.

Costco's current goal is to divert 80% of waste generated within our global operations. We define waste diversion as the total tons (measured in U.S. tons) of waste that is not directly dumped into landfill sites or burned at incineration facilities that do not create energy. We include Waste to Energy as part of our diversion program. Other diversion examples include donations, anaerobic digestion, recycling, composting and animal feed. Costco is committed to expanding these programs through partnerships, enhanced efficiencies and emerging technologies.

For more information, please view Costco's [Global Waste Diversion Summary](#).

This year's diversion rate increase reflects an abnormal year due to COVID-19 and the inclusion of our ancillary businesses. During a portion of FY21, dining areas were not open and samples were reduced which generated less waste. Additional reasons for this increase is our continued effort to prioritize food bank donations and recycling programs.

More information can be found in our 2021 August *Costco Connection* article, [Do not discard](#).

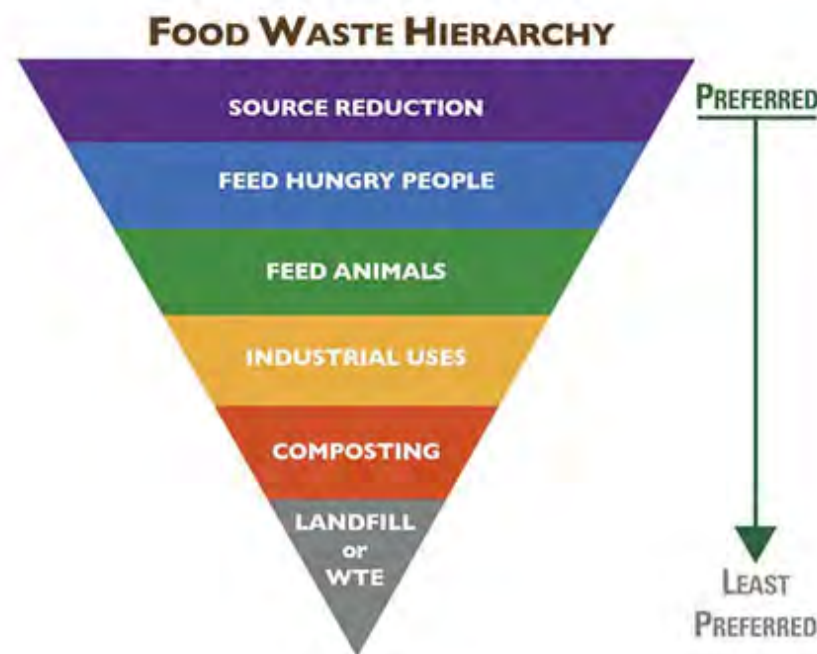
EFFICIENCIES, COST SAVINGS & REDUCED EMISSIONS

Effective waste diversion conserves natural resources, saves energy, and reduces expenses and emissions.

By diverting waste from the landfill, Costco increases the efficiency of waste hauling from our locations, which reduces fuel consumption, CO2 emissions generated from transportation and hauling costs. Costco continues to examine waste disposal programs to maximize efficiency and to reduce costs. In the **U.S.**, we use trash compactor monitors to ensure that we are maximizing the amount of waste being transported. We are currently monitoring 244 compactors to ensure full capacity for hauling. This is an increase from 179 units last fiscal year, and we are continuously looking to add additional systems where it makes sense.

Focusing on operational waste will allow us to take actionable measures to reduce waste sent to landfill that emits methane during the decomposition process. In FY21, Costco developed a global baseline for total waste emissions. We estimate our total Scope 3 (GHG Protocol Category 5) waste emissions for all reporting Costco locations for FY21 is 147,138 mtCO2e based upon the total tonnage to landfill and total tonnage diverted using the [DEFRA protocol](#).

For more information on emissions, see our [Climate Action Plan](#) page.



REDUCING FOOD WASTE

For food waste, we follow the above Food Waste Hierarchy, as defined by the Federal EPA. Costco recognizes the global impact of food waste, and we are developing new systems to track and reduce food waste within our operations.

Source Reduction

There are numerous ways we reduce food waste at source and within our operations through the creation of new items.

At source, three Costco suppliers are working with the [Equitable Food Initiative](#) and [Measure to Improve](#) to pilot a waste reduction and tracking program that expands their worker engagement efforts to include a sustainability focus. Through this pilot, suppliers will assess and implement programs to reduce materials waste, food loss and ultimately greenhouse gas emissions. The three farming operations partnering in this initiative are Andrew & Williamson Fresh Produce/GoodFarms, Misionero and Windset Farms.

Please see additional examples of source reduction on the [Kirkland Signature™](#) page.



In our operations, unsold rotisserie chickens are made into deli entrees. Examples include:

- Chicken Noodle Soup, Chicken Enchilada Bake, Chicken Alfredo and Chicken Pot Pies sold in the **U.S.**
- Red Alfredo Chicken Penne and Honey Glazed Chicken Legs sold in **Japan**
- BBQ Chicken Wings, Chicken Enchiladas and Chicken & Mushroom Lattice Pies sold in the **UK**
- Singapore Laksa sold in **Taiwan**

Our delis continuously work to improve their procedures to reduce the amount of unsold chickens through improved efficiencies. In the U.S. from FY20 to FY21, our deli department decreased unsold chickens – reducing 68,332 pounds of excess rotisserie chickens.

Other source reduction initiatives include:

- Converting croissants into an Almond Croissant dessert item sold in **Japan**
- Sourcing ground beef from our own meat department to produce stuffed peppers and meatloaf in our deli – saving approximately 7.99 million pounds of wasted food in the **U.S.** in FY21
- Sourcing ground beef from **Canada's** meat department to create Shepherd's Pie and Stuffed Bell Peppers similar to the U.S.
- Introducing a high-quality smoothie to sell in **Japan's** food courts in FY21, utilizing 39,683 pounds of unsold oranges from the sales floor



Feed Hungry People

Costco locations worldwide donate edible food to food banks and other nonprofits in their local communities. Donation programs vary by location and country. During FY21, many food banks were affected by COVID-19. Due to shortages in volunteers, donation pickups were negatively impacted making it difficult in some cases to get food donations to their destination. The global pandemic also created an overall increase in need from communities all over the world. Our goal was to continue to donate as much as possible to all communities to support those in need.

Food Donations

Costco continues to expand its program and partnership with Feeding America, The Global FoodBanking Network and other local food banks to prevent food from being wasted. Feeding America is a national organization in the U.S. that works with local food banks as a bridge with our U.S. locations. The Global FoodBanking Network partners non-U.S. locations with certified member organizations in order to confidently donate to entities that have established food safety standards throughout the food chain. Through these combined efforts, we are able to provide meals to individuals and families that are food insecure.

In FY21, Costco warehouses and depots donated more than 99 million pounds of edible food products in all states and most countries/regions where we operate, which represents over 82 million meals donated to people in need. We have continued to grow our program year over year. This year, the **U.S.** and **Mexico** added the ability to donate cooked food from our food courts by creating food safety procedures to properly cool and donate unsold items.

	FY2018	FY2019	FY2020	FY2021
Food Donations	34.7 million pounds	76.9 million pounds	92.8 million pounds	99.1 million pounds
Meals Donated	28.9 million meals	64.1 million meal	77.3 million meals	82.6 million meals
Number of Locations Donating	498 Warehouses and Depots	772 Warehouses and Depots	794 Warehouses and Depots	823 Warehouses and Depots

Costco understands the importance of the types of food donated. We strive to provide healthy and nutritious food. In FY21, 72% of the food donated in the U.S. was in the following categories: Produce/fruit/vegetables (39.4%), Grains/bread (21.3%) and Dairy/protein (11.2%).

Feed Animals

Feeding animals our inedible waste is important because it reduces the demand to generate new feed resources. Additionally, our warehouses divert organic materials by supporting local donation programs, including animal sanctuaries, rescue centers, local farms and city zoos. Examples during FY21 include:

- 179 **U.S.** Costco warehouses sent 13.7 million pounds of organic materials to feed cattle and hogs.
- In **Taiwan**, 14 warehouses sent 8.82 million pounds of organic materials to pig farms.
- In **Korea**, 7.28 million pounds of organic material was sent to farms to feed animals.
- Our Kanazawa warehouse in **Japan** sent 1,118 pounds of coffee grounds to be repurposed as cattle feed. The coffee grounds contain antioxidants to keep the cows healthy and improve the quality of milk.

Industrial Uses

Much of our organic waste is now recycled into usable products, such as organic fertilizer, biofuels and electricity. Globally in FY21, Costco diverted over 419 million pounds of material from landfills. Examples include:

- 10.19 million pounds of chicken grease produced from rotisserie chickens were recycled, the majority of which was converted into biofuel in the **U.S., Canada, Mexico, Japan, Australia, Spain and China.**

- 301 million pounds of meat and bone scraps were processed through the rendering program in the **U.S., Canada, Mexico, Japan, Australia, Spain and China**. Rendering from the chicken complex has been added to this year's report accounting for the large increase in rendering pounds.
- 205,708 pounds of organic waste was converted into certified organic liquid fertilizer in the **U.S.**
- 25.36 million pounds of food were recycled at anaerobic digestion facilities to create energy in the **U.S., the UK and France**. The **UK** is actively adding food waste programs in their warehouses.

Composting

In the **U.S., Canada, Korea, Iceland and China**, some locations send organic waste to commercial compost facilities to create a nutrient-rich soil conditioner. Warehouses have sent 33.97 million pounds to compost facilities during FY21.

Waste to Energy (WTE)/Landfill

Our compactors are hauled to waste-to-energy facilities and landfills. Our goal is to continuously move food waste out of compactors to more beneficial uses in the food waste hierarchy, while being compliant with regulations.

REDUCING NON-FOOD WASTE

Costco continues to find ways to reduce non-food waste through efficiencies and other methods, some of which are described below.



Donate

Costco has grown its program with [World Vision](#) to donate first-quality items that used to be destroyed, recycled or returned to the supplier. In FY21, we donated to people in need in 32 countries.

More information can be found in the [Costco-World Vision Summary](#), which contains a list of the items donated and some stories that illustrate the impact of these donations.

	FY2018	FY2019	FY2020	FY2021
Number of Pallets Donated	41,945 pallets	42,493 pallet	54,332 pallets	80,304 pallets
Product Value	N/A	\$76.2 million	\$79.9 million	\$137 million

Besides providing items to people in need valued at over \$137 million for FY21, efficiencies are also gained, including reduced trips to the landfill and savings on trash fees for both Costco and our suppliers. The increase in this year's donations is primarily related to additional donations from Costco Logistics.

Recycle



Corrugated Cardboard and Shrink-wrap

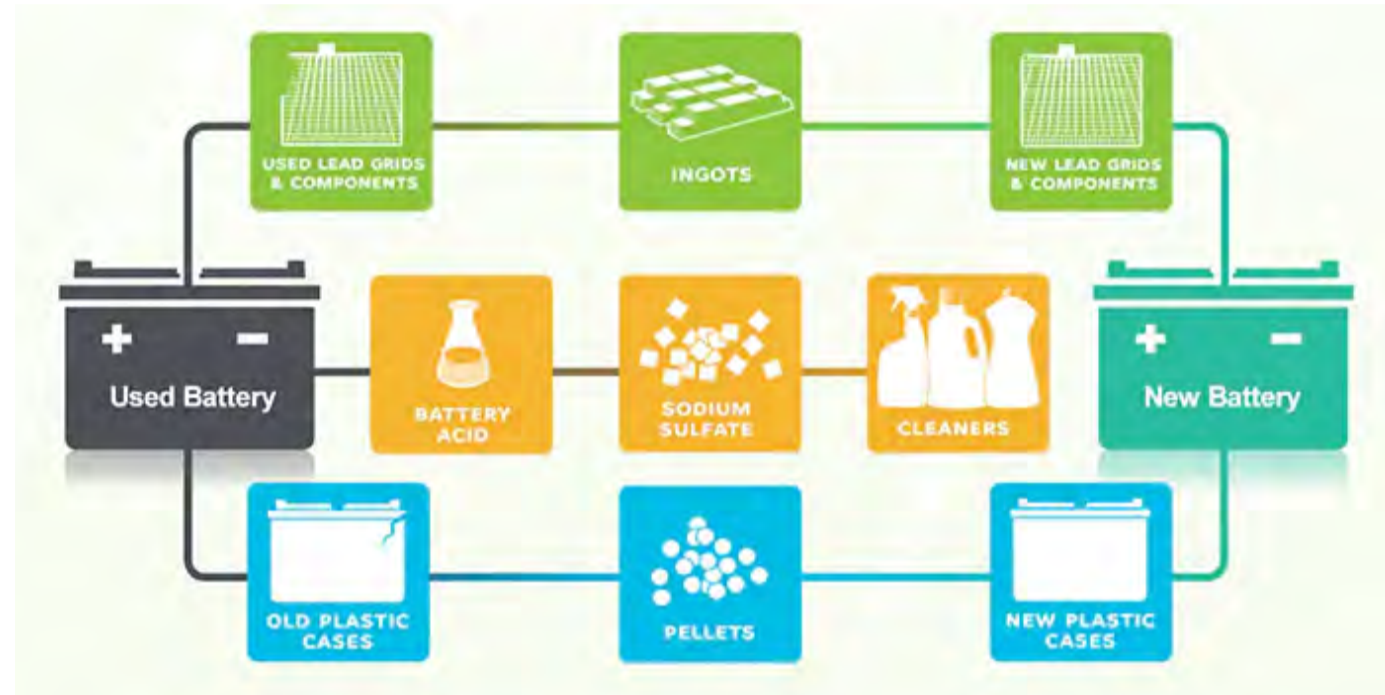
Warehouses routinely backhaul shrink-wrap and corrugated material generated from daily operations to our distribution centers in order to recycle. This practice, together with recycling at our newly acquired business, Costco Logistics, diverted over 680,186 tons of material from the landfill in FY21, while generating income and reducing our carbon footprint. This is an increase of 80,142 tons or 13.3% over last year.

Tires

Costco recycled over 6.3 million tires in the **U.S.** in FY21. While 15% of our tires are resold, over 80% are recycled into several different beneficial uses like tire-derived fuels used primarily in cement kilns; crumb rubber used as an additive for road surfaces or pervious surfaces around roads, sidewalks and pathways; mine reclamation; daily landfill cover; and decorative mulch. Globally, Costco diverted over 175 million pounds of tires.

Car Battery Recycling

Globally in FY21, Costco recycled 68.6 million pounds of auto batteries. Costco reimburses members their core fee when batteries are returned for recycling. Returned batteries are collected and picked up for recycling by Costco battery suppliers.



Up to 99% of a car battery is recyclable and can be used to make new batteries and other products.

Paper

Costco has established a recycling program for paper in our offices and warehouses to capture loose paper, coupon brochures, magazines, and paperback books that are no longer usable or saleable. In FY21, we recycled over 10.6 million pounds of paper in the **U.S., Canada, Mexico, the UK, Japan, Taiwan, Australia** and **Spain**. We continue to move to paperless programs when applicable.

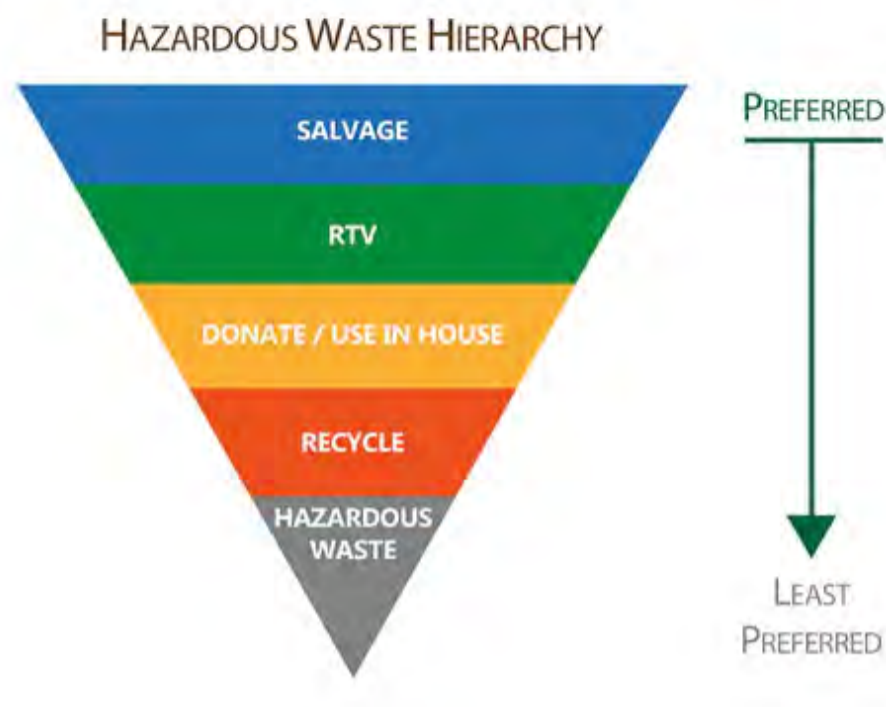


Metal

In FY20, Costco piloted a program with our depots to recycle scrap metal that cannot be processed through standard single stream recycling bins. During FY21, we have continued to expand this program. There are currently 485 U.S. warehouses participating in this program, an increase of 400 warehouses, and we will continue to roll out to new locations where feasible. Collectively, through our pilot program and other local scrap metal programs, Costco was able to recycle 11.1 million pounds of scrap metal in the **U.S.** An additional 1.3 million pounds of scrap metal was recycled in **Canada, Mexico, the UK, Japan, Taiwan** and **Australia**.

Recycle to Repurpose - Styrofoam®

In the **U.S., Japan, Korea, Taiwan** and **China**, Costco recycled 2.1 million pounds of expanded polystyrene (foam) in FY21. This material is densified and distributed to manufacturers that make picture frames, crown molding and other polystyrene products.



REDUCING HAZARDOUS WASTE

Hazardous materials are those products that pose a risk to the environment, human health, and/or the communities we operate. This includes common everyday items such as dish soaps, detergents, batteries, light bulbs and electronics. Costco's continued commitment to sustainability and waste reduction has resulted in a number of programs that help us operate efficiently and in an environmentally responsible manner when managing products that cannot be donated or salvaged.

As with other waste programs, Costco follows a similar hierarchy to reduce or eliminate hazardous waste as we do with solid waste streams. Prevention is the most desired path when dealing with products, which are deemed hazardous.



Electronic Recycling

Costco maintains a robust electronic recycling program through approved, licensed recycling vendors. Costco is able to manage both member returns and company assets while ensuring the highest levels of sensitive data destruction alongside material recovery through the vendor's e-scrap shredding system. In FY21, we recycled 14.6 million pounds of electronic waste in the **U.S., Canada, Mexico, the UK, Japan, Taiwan, Australia, Spain** and **France**.



Batteries & Light Bulbs

Household batteries and light bulbs are two of the most common items to be recycled in each location. Each battery and bulb is broken down to its rawest parts and recycled or repurposed accordingly.

Costco recycles household batteries and light bulbs that are either returned by members or used internally in operations. In FY21, we recycled 233,477 pounds of batteries and light bulbs in the **U.S., Canada, Mexico, the UK, Japan, Taiwan, Spain, France and China.**



Fuel Station Materials

Byproducts from our fuel station operations are managed in a variety of ways aimed at waste minimization. Used and drained fuel filters can be managed as scrap material. In FY21, we recycled 54,170 pounds of fuel filters.

Ethanol Recovery

Items containing ethanol such as: alcoholic spirits, perfumes, colognes, cough syrup, vanilla extract and hand sanitizers are hauled off-site, depacked and shredded at downstream facilities. The liquids are collected from the shredding process and batched for ethanol recovery. Various methods are used to separate and collect ethanol for final reuse as additives to new products or liquid fuels. In FY21, we repurposed 38,635 pounds of material.

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Water is a precious and limited resource that cannot be wasted. With rising temperatures, water use is also rising, causing water shortage concerns throughout the world. Costco understands the importance of water conservation and in fiscal year 2021 adopted Sustainable Development Goal (SDG) 6 – Clean Water and Sanitation – as one of our SDG goals. We have implemented comprehensive water management programs to help us reduce operational water waste and improve the quality of both our wastewater and stormwater discharges.



COMPREHENSIVE WATER MANAGEMENT SYSTEMS

Costco continues to drive operational efficiency by lowering overall operating costs through the elimination of waste in water consumption. Ultimately, this reduces related sewer, energy and maintenance costs. We are assessing our current water management systems to consider new and emerging technologies. Considering our operational water volumes for all U.S. and international sites, we are seeking technologies that deliver high quality, real-time performance data and leak and/or consumption anomalies for our operations. Our construction team is seeking innovative metering and management solutions systems to support all U.S. and international sites with alerts to address equipment repairs and to assess and optimize water consumption in our operations. We recognize water management is a top priority when considering operational waste controls, in establishing baseline performance, in targeting efficiencies and in considering innovative ways to drive improved performance by site.

Various water management systems are currently installed in our warehouses in the U.S., Canada, Mexico, Korea and Japan. We intend to expand monitoring systems to our other locations worldwide. There are currently over 1,000 meters installed on main water lines, cooling tower lines and irrigation systems with installations continuing as needed.

By installing water metering systems, Costco locations can now:

- Detect in real-time, mechanical failures so staff can fix issues quickly
- Identify operational waste so that behaviors can be modified through education and training
- Consume less water to lower the amount of energy and cost necessary to run mechanical equipment and systems, which in turn reduces Costco’s carbon footprint, expenses, and environmental impact
- Create an enhanced awareness of water use and stewardship throughout all facets of operation

While we haven't finalized our water usage data systems, we are able to estimate our global water usage for the last two years as follows:

COSTCO'S ESTIMATED GLOBAL OPERATIONAL WATER USAGE SUMMARY

	SALES (in thousands)	GALLONS (in thousands)	WATER USE Increase (over prior year)	Water Intensity (Gallons/Sales)
FY '20	\$163,022,000	3,451,017	N/A	2.1%
FY '21	\$192,052,000	3,668,243	6.9%	1.9%



Before

After

GROUNDWATER & IRRIGATION SYSTEMS

While landscaping is important for the beauty it provides, as well as the preservation of natural habitat, Costco also understands the need to be responsible regarding our irrigation practices and in managing the quality of our stormwater discharge.

By using water monitoring systems, Costco is able to reduce water waste and protect assets such as parking lot surfaces, retaining walls, and building foundations. This helps our operators identify issues immediately and avoid expensive repairs later. Other structural and operational enhancements include:

- Utilizing smart technologies and subsurface irrigation to improve efficiency and to reduce water waste in irrigation systems
- Installing bioswales to preserve groundwater and to prevent runoff in select locations
- Integrating native, drought-resistant, and artificial landscaping materials to minimize irrigation, as illustrated above at our **West Plano, TX** location



WASTEWATER & STORMWATER PLANS

Each U.S. Costco location has wastewater and stormwater plans and procedures to ensure that we remain in compliance with local and federal regulations. We have a team of Environmental Sustainability and Compliance Managers throughout the U.S. who, in partnership with our corporate water systems team, work directly with all locations to track and respond to water waste or quality concerns. International locations are also focusing on waste and stormwater management.



EXAMPLES OF OPERATIONAL WATER SAVINGS

Locations in the Texas and Southeast regions are utilizing a program to reduce water usage by changing the way they clean the breezeway at the location entrance. They changed from pressure washing to using the ride-on floor scrubber. Annual water usage was reduced from 66,000 gallons per year to less than 9,000 gallons based on a three times per week schedule.

In some U.S. and Canada locations we are testing a system to capture condensation from the EVAC systems to be used to fill floor scrubbers, saving thousands of gallons of municipal water each year.



In Australia, rainwater is captured and stored onsite for use in toilets, cooling refrigeration systems and irrigation.

In the Los Angeles region, we are using a water capture system to harvest rain water and refrigeration condensate that is stored on site in large, underground cisterns. This water is used for irrigation. If the tanks are ever completely full the location issues the water back to the city.

In several Arizona locations, we are reducing the amount of municipal water by changing the method of treating hard water used in our cooling towers. By removing damage causing minerals we were able to reuse the water more often to cool the refrigeration coils. We are able to track the water savings using water metering and estimate an annual savings of 995,000 gallons per location, per year. In addition, removing minerals from the process has the potential to extend the refrigeration equipment's life span.



VERTICAL INTEGRATION FACILITIES - WATER SAVINGS

In 2019, Costco began selling chicken and romaine lettuce produced in new, vertically integrated facilities. Both facilities have been designed with water preservation, re-use, efficiency and treatment in mind.

Costco worked with the City of Fremont, Nebraska, to expand their wastewater treatment plant in order to ensure that the wastewater generated at the chicken plant is treated before returning to the municipal wastewater treatment plant. In addition, through a process of air chilling, data suggests substantial water savings of 2 million gallons per week in comparison to typical water chill processing.

At the romaine lettuce greenhouse, early estimates indicate that 80% less water will be used in comparison to conventional farming and that there will be 0% wastewater runoff. In addition, the water not absorbed by the plant through transpiration, which is about 80%, is recycled.



CAR WASHES

Costco is a member of WaterSavers[®], a designation by the International Car Wash Association awarded to car washes that meet strict water usage criteria. Wastewater in the car wash is reduced in the following ways:

- Digital water metering identifies spikes in usage that indicate a potential leak or equipment malfunction. With real-time monitoring, these spikes can be addressed immediately.
- Every wash has a reclaim system to filter and recycle water to be used for everything that does not require fresh water. This cuts fresh water use by more than 50%.
- Water main shut-off valves are utilized when the car wash is not in use.
- All car washes strictly follow water usage permits and requirements.

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Costco continually works to enhance and streamline training programs to ensure compliance with environmental regulations worldwide, as well as our internal policies and programs.



Over the past several years, we have implemented a comprehensive environmental compliance program, including but not limited to storm water, sanitary water use, wetlands, environmental mitigation, endangered species, air quality, etc, for any and all inspections, maintenance and reporting for all of our properties, including our warehouses (retail locations) as well as our industrial properties (manufacturing, distribution, logistics, etc.).

Environmental compliance, coupled with our corporate sustainability initiatives, and working with our operators, facilities and property management team remain a high priority for us.

We continue to develop a global team who work in conjunction with representatives from numerous departments throughout the company to review and identify opportunities to enhance compliance and sustainability programs and policies, as well as to ensure our company remains in compliance with regulatory requirements. Team members also support location operators in daily operations, training and educational opportunities. Finally, team members have been instrumental in helping us implement our [Climate Action Plan](#).

In 2021, we held our third-annual Global Sustainability Summit. The purpose of these summits are to share best practices, review compliance, and discuss upcoming projects, with the goal of creating a consistent and global approach to environmental compliance, while also respecting local laws and regulations.

We continue to build on our existing environmental compliance platform through the Sustainability Technical Assistance Review (STAR) to formalize standards and requirements in five key focus areas. The STAR rolled out in September 2020 across the United States. By working toward STAR goals, Costco is building the capabilities to track compliance and dynamically monitor resource use at all our warehouses – at an individual and aggregate level. Our aim is to integrate the people, systems, policies, data, and standard operating procedures in support of the following five focus areas: (1) ensure environmental compliance, (2) minimize water usage, (3) minimize energy consumption, (4) increase waste diversion, and (5) reduce carbon emissions. Enhanced dashboarding and reporting capabilities added in 2021 allow us to respond more quickly as opportunities present themselves.

In 2021 we digitized our environmental regulatory documents, waste manifests, and several checklists to aid in both accuracy and efficiency while reducing operator fatigue.

Beginning in September of 2020, Costco began to establish its own Central Monitoring program (Central Station) to bring refrigeration, burglary and fire monitoring of locations in-house.

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Costco is committed to providing our members with high-quality goods at the lowest possible price in a way that is respectful to the environment – and to the people and animals that produce these goods.

There are many factors that go into how we source our goods. Over the years, we have continued to expand our focus and dive deeper into issues such as human rights further down the supply chain, environmental issues, water stewardship, animal welfare, chemical use, packaging and fisheries. In fiscal year 2021, we enhanced our efforts to work with qualified minority- and women-owned suppliers in the communities where we do business. More information can be found on our [Supplier Diversity](#) page.

While a majority of our merchandise is branded, Costco's line of exclusive, private-label products called Kirkland Signature™ continues to grow and expand and more information is available on our [Kirkland Signature](#) page.

In addition, we have provided further information by specific product in our Product Categories pages of this Merchandising Section. Below provides an easy reference to the topics that go into our sourcing decisions.



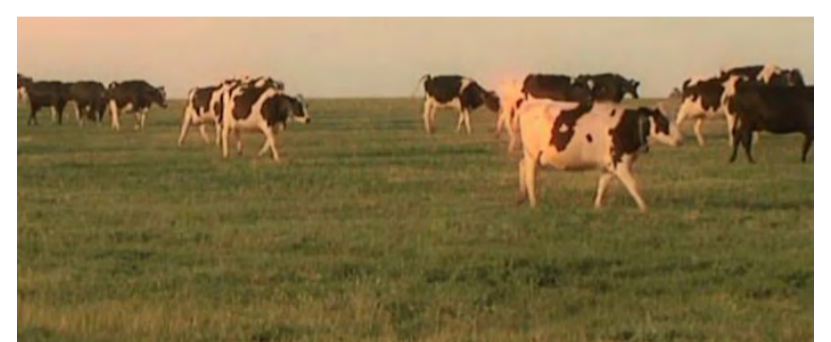
HUMAN RIGHTS



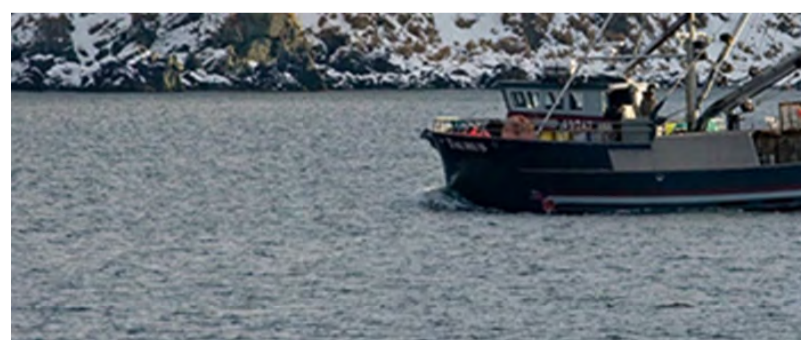
ENVIRONMENTAL IMPACTS & LAND STEWARDSHIP



PACKAGING



ANIMAL WELFARE



SUSTAINABLE FISHERIES & AQUACULTURE



CHEMICAL MANAGEMENT



KIRKLAND SIGNATURE

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Costco is committed to protecting the human rights, safety and dignity of the people who contribute to the success of our business. We also seek to support the welfare of the people who produce, process, harvest and transport the products we sell.



INTRODUCTION

As a retailer with 288,000 employees worldwide and a merchandise supply chain spanning the globe, we recognize the impact we can have on human rights. We have adopted policies and procedures around key human rights topics, guided by our Code of Ethics, which are important to all levels of our organization. Our employee-related rights are overseen and managed by senior management for each business unit. Our work in supply chain-related human rights is overseen by the head of Global Sustainability & Compliance, who reports directly to Costco's CEO.

In general, suppliers are contractually required to follow our Supplier Code of Conduct. That code and our Code of Ethics are routinely highlighted at various events for both employees and suppliers to clearly communicate Costco's commitments to human rights. Additionally, members of Costco's buying team who manage a supplier relationship continue to be provided with in-person and online training regarding the importance of the Supplier Code of Conduct and their specific role in supporting it within our supply chains.

OUR EMPLOYEES & COMMUNITIES

At Costco, we believe in the importance of respecting the rights of our workforce and treating our employees with dignity and respect. Most of our employees are hourly employees in warehouses and distribution centers. We believe in promoting from within our employee ranks and want to ensure all employees receive equal and competitive wages and benefits, and have opportunities to grow. We are also invested in attracting and retaining talent, and creating a safe and productive work environment.

Read more about our specific programs and commitments on our [Employee](#) page.

We aim to contribute to the health and well-being of the communities where we do business, and where our employees and members live and work. We conduct charitable donations focused on children, education, and health and human services, and provide financial assistance to underrepresented minorities. We also have community investment programs in place to support economic development in communities of color.

More information can be found on our [Communities](#) page.



OUR SUPPLY CHAIN

We recognize the importance of respecting human rights throughout our supply chain and live by our [Supplier Code of Conduct](#) in how we approach our business. This Code is global in its scope, and applies to all suppliers and their facilities, as well as to Costco-owned manufacturing facilities. In order to align with international standards, it is derived from the policies, standards, and conventions of the United Nations and the International Labor Organization, as well as other leading independent standards such as the Responsible Business Alliance and [Worldwide Responsible Accredited Production \(WRAP\)](#).

We also have dedicated programs and initiatives, which vary by industry and geography, to support the livelihoods of smallholder farmers, mitigate the risks of child and forced labor, and strengthen our broader sustainability efforts. Examples of these programs can be found in the Merchandising section.

Our Supplier Code of Conduct

The Code was established to protect the human rights and safety of the people who produce, process and/or harvest the products we sell, while recognizing and respecting the cultural and legal differences found worldwide. To this end, Costco:

- Prohibits slave labor, human trafficking, illegal child labor, illegal prison labor, physical and sexual abuse, bribery or attempted bribery, and health and safety conditions posing immediate risk to life and limb
- 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 “Above and Beyond Goals”
- Currently allows suppliers to use legal prison labor, to support rehabilitation and restitution, under specific conditions, which are outlined in our [Global Policy on Prison Labor](#). We continue to transition away from our limited use as set forth in our [2022 Statement on Prison Labor](#).

Supply Chain Risk Assessment

Because of the number of suppliers Costco has and their geographic dispersion, it is simply not practical to audit on an ongoing basis to confirm that all suppliers and their supply chains are in compliance with all aspects of our Supplier Code of Conduct. Accordingly, we take a risk-based approach with respect to targeting audits and otherwise seeking to confirm compliance. The approach is based upon several factors, including the prior audit performance and the following risk indices: U.S. Department of Labor’s List of Goods Produced by Child Labor or Forced Labor, U.S. State Department Trafficking in Persons Report, and World Bank World Governance Indicators. We emphasize auditing suppliers of Kirkland Signature™ merchandise and suppliers whose product or country of origin poses an increased risk.

To support our risk assessment, we partnered with Verisk Maplecroft to analyze our supply chain data with various political, human rights, economic and environmental risk indices. This will help us to direct limited resources to the areas of highest social and environmental risks.

We are beginning to expand the scope of our audits to include on-farm audits for produce and fabric mill audits for Kirkland Signature apparel.

Verification

In FY21, over 4,500 independent third-party audits were conducted. For facilities considered intermediate to high risk, audits are required annually at a minimum, and more frequently if corrective actions to Code violations require onsite verification. These audits are carried out on a partially announced basis, providing the facility with a two-week window of when the audit may take place. This limited amount of advanced notice is to take the facility’s security measures into consideration and to allow the supplier to collect records that are reviewed during the audit. Fully unannounced audits are carried out on occasion, typically in response to tips received by our confidential ethics hotline. All audits include both the workplace where production takes place, as well as any onsite worker housing.

All audits are required to be conducted by a member of the [Association of Professional Social Compliance Auditors \(APSCA\)](#). As an industry association whose members represent a substantial majority of the Social Compliance audit industry, APSCA exists to enhance the professionalism, consistency and credibility of the individuals and organizations performing independent social compliance audits.

- For suppliers that are in full compliance with our Code of Conduct, subsequent audits may be less frequent.
- We recognize there is room for continuous improvement and that some suppliers will need assistance with compliance. For suppliers with audits that reveal the need for improvement, Costco requires Corrective Action Plans, and often re-audits to determine progress. Costco also offers other capacity building services that improve management systems to address the causes of previous violations of the Code, including eLearning video courses (in the local language), which correlate to the violations cited. Ultimately, Costco prefers to work with suppliers and their facilities to correct Code violations rather than apply sanctions that may cause further hardship to workers and their families who depend upon the employment.
- Depending on the severity or lack of remediation of a Code violations, we reserve the right to terminate our relationship or purchase orders with a supplier and their facility and have done so.

COVID-19

We seek to mitigate the impacts of COVID-19 on workers in our supply chains. With regard to worker safety, in FY20 we incorporated a COVID-19 Preparedness Observations Checklist in each of our on-site audits, which continues to date. This has helped educate suppliers on best practices for protecting their workforce and assess suppliers' alignment with that guidance. Where circumstances have restricted the ability to conduct independent on-site audits, we offer suppliers a self-assessment (including a remote review of documentation) and worker survey. This is to further the safety and security of our suppliers' workers and that of the auditors.

Employee Engagement

In 2021, Costco continued programs to educate our employees with relevant responsibilities on the importance of our Code of Conduct, through updated virtual training and in-person presentations to review our Code of Conduct requirements.

CONFIDENTIAL ETHICS HOTLINE

We have a global confidential ethics hotline to promote and monitor compliance with our Code of Ethics, our Supplier Code of Conduct, and other legal and ethical policies: www.costco.ethicspoint.com. When we receive inquiries, we investigate appropriately and depending upon the issue, may work with suppliers directly, conduct independent third-party audits, and may terminate our relationship with suppliers if appropriate remedial action is not taken.



HUMAN TRAFFICKING

We recognize that human trafficking is a serious global problem and are taking steps to bring awareness and improvement to the issue. We also understand that sex trafficking (including the commercial exploitation of children), occurs in the hospitality industry and as such work with our Costco Travel suppliers to bring awareness to this issue. We also work with [Truckers Against Trafficking](#) to educate our fleet drivers, as well as other trucking service suppliers.

More information can be found in these statements:

[Australia Modern Slavery Act Statement](#)

[California Transparency in Supply Chain Act Disclosure](#)

[UK Modern Slavery Act Statement](#)



CONFLICT MINERALS

In response to human rights abuses in parts of Africa, Costco has adopted a [Conflict Minerals Policy Statement](#). More information can be found in our [Form SD](#) and [Conflict Minerals Report](#). In addition to our efforts to address minerals under Section 1502 of the Dodd-Frank Act (tantalum, tin, tungsten and gold), as of FY21 we added cobalt

as a mineral of focus due to reported concerns over social and environmental impacts of cobalt extraction in the Democratic Republic of Congo (DRC). Additionally, beginning in FY22, our compliance program broadened the conflict areas of concern beyond the DRC and adjoining countries to include all Conflict Affected and High-Risk Areas as defined by the Organisation for Economic Co-operation and Development.

Gold Jewelry Traceability

Since its inception in FY19, Costco has continued a category-specific traceability program with our U.S. gold jewelry suppliers to trace sourcing and further adherence to these sourcing standards: RJC Chain of Custody, RMI or LBMA. We have developed a third-party chain of custody review to support verification of the data identifying supply chain links back to the smelter/refinery level.

Responsible Minerals Initiative

Costco is a member of the [Responsible Minerals Initiative \(RMI\)](#), which is a resource to help companies address responsible sourcing of minerals. We utilize the RMI's Conflict Minerals Reporting Template and Cobalt Reporting Template to trace the supply chain, and the RMI's Responsible Minerals Assurance Process and database to monitor smelters and refiners in our supply chain that are likely to supply minerals of 3TG (tantalum, tin, tungsten and gold), and cobalt. Costco also leverages its membership to learn about emerging issues and best practices on responsible mineral sourcing, and to work on addressing shared challenges.



STRATEGIC COLLABORATION

Costco recognizes that collaboration with multi-stakeholder coalitions is key to addressing many of the issues we face, as social compliance audits alone will not fully address the complex issues in global supply chains. Therefore, we have joined multiple efforts to help improve the working conditions of people within our supply chains. Some examples include:

Seafood

We helped organize and are an active member of the [Seafood Task Force \(STF\)](#), a collaboration tackling human rights and environmental issues in the Thai shrimp and canned tuna supply chains. The Task Force includes representatives from Thai shrimp feed manufacturers, shrimp and tuna processors, certain major retailers in the U.S. and Europe, and nongovernmental organizations. Learn how the Seafood Task Force is working to drive accountability, increase transparency and build confidence in seafood supply chains in its [10 Point Action Plan](#).

In November 2020, the STF implemented a new Monitoring and Evaluation Model focused on traceability, accountability and verification to demonstrate that farmed shrimp, wild caught tuna and marine ingredient supply chains are traceable and internally assessed for supply chain risk. STF works with Thai members in South East Asia to provide training for their supply chains – land-based and sea-based – helping them to understand and implement STF standards.

Recruitment

The unethical recruitment of workers – which may involve exorbitant fees paid by workers to labor recruiters, the retention of passports or other personal documents, and labor contracts not in a language understood by the worker – is a leading cause of forced labor and human trafficking. We are beginning to address this as follows:

Seafood

Costco continues to support the Responsible Recruitment Oversight working subgroup of the STF to explore responsible labor recruitment. The primary goal is to leverage the power of the membership to build demand for responsible ethical recruitment practices throughout member supply chains. Research and engagement activity since 2016 has provided valuable insights. As a result, over 65 companies and entities in their supply chains alongside their recruiting agencies are now actively participating with a new batch of agencies due to come on board by December 2021. Learn more about the STF's work on [Responsible Recruitment](#).

Agriculture

Costco and some of its suppliers have begun to partner with [CIERTO](#), an independent third-party nonprofit that provides transparent, no worker-fee recruitment for farm workers in order to ethically and legally recruit farm labor for U.S. agricultural products.

Foreign Labor

Costco supports the work of the Responsible Labor Initiative (RLI) to address unethical recruitment in Southeast Asia.

Agricultural Produce

Equitable Food Initiative (EFI)

Costco is part of a fresh produce multi-stakeholder effort – that includes farmers, suppliers, and NGOs to improve labor practices, environmental stewardship, and food safety – for the benefit of workers, agricultural communities, businesses, and consumers. Costco has been the largest single investor/donor to EFI's development, with over \$2.5 million contributed since 2018.

Costco pays a premium for this EFI-certified produce, to directly compensate farmworkers for the extra effort they provide. Costco is also the largest payer of the EFI premiums, with 87% going directly to farm workers and totaling over \$11.8 million since 2014. Ten percent of this premium is paid to EFI to fund expansion throughout the industry.

EFI provides:

- Workers and managers training on conflict-resolution and problem-solving strategies to promote continuous improvement and to comply with rigorous standards
- Workers training on pesticide safety and personal protective equipment free of charge. More information can be found in the Pollinator Health & Chemical Reduction section on our [Environmental Impacts](#) page.

Fair Trade

Costco and some of its produce suppliers continue to support a program with Fair Trade USA, which directly engages with farmworkers to promote sustainable incomes, safe working conditions, responsible labor recruitment and contracting, environmental stewardship, and strong, transparent supply chains. For every Fair Trade Certified™ product sold, producers earn an additional amount of money, empowering farmers and workers to improve their lives and fight poverty. Through our direct engagement, farmworkers are provided with:

- Training on food safety and quality, labor rights, workplace health and safety, and family financial planning.
- Improved communication and measurable impacts.
- Fair Trade Certified funds to improve lives and livelihoods for workers and their communities.

Ethical Charter on Responsible Labor Practices

In FY19, Costco began to support the efforts of the Produce Marketing Association and the United Fresh Produce Association to create an industry-wide framework on the responsible production and procurement of fresh fruit, vegetables, and flowers. This mission is captured by the Ethical Charter, of which Costco is one of many endorsers representing the fresh produce industry, including growers, labor agencies, packers, distributors, foodservice operators, marketers and retailers.

In FY20, Costco and others worked to develop a pilot aimed at educating and building the capacity of select produce suppliers to strengthen their alignment with the Values and Guiding Principles of the Ethical Charter. The pilot concluded in May 2021 and key findings showed the effectiveness of providing virtual training and advisory services focused on building management systems. Growers also validated the use of self-assessment questionnaires to measure compliance with the Ethical Charter. We will continue to work with various industry stakeholders to take the learnings from the innovative tools that were piloted and further develop scalable solutions for the fresh produce industry.

Cotton

Care for the treatment of workers throughout our global supply chains is a strong focus for Costco, and we recognize that the sourcing of cotton presents particular challenges with respect to forced labor around the world.

Costco remains a signatory to the multi-stakeholder pledge promoted by the Responsible Sourcing Network concerning forced child and adult labor in Uzbekistan. We work to keep cotton produced by child and adult forced labor in Uzbekistan and Turkmenistan out of our Kirkland Signature™ items. We also collaborate with a multi-stakeholder coalition to raise awareness of this very serious concern and to press for its elimination.

More information can be found in our [Pledge Concerning Cotton](#).

Costco has joined a [Forced Labor Working Group](#), which consists of brands and trade associations, to share best practices and innovative approaches to mitigate forced labor risks with a specific focus on apparel and home textile supply chains.

Additionally, in 2019, we began a cotton supply-chain mapping program, which requires document verification, to further understand where the cotton in our apparel products originates. To date, the program now covers Kirkland Signature apparel and home textile products. Various screening processes are also applied to the manufacturing entities involved in these supply chains to promote compliance with trade-sanction laws.

Apparel from Bangladesh

With the Alliance for Bangladesh Worker Safety winding down, several former Alliance members and other brands committed to sustaining the culture of factory safety in Bangladesh by launching [Nirapon](#), a U.S.-based organization tasked with monitoring the ongoing safety, training and helpline efforts of the factories from which Nirapon members source. Costco supports these efforts by requiring suppliers who source from Bangladesh to be active members of Nirapon and continuing the work of addressing building safety in the apparel industry of Bangladesh.

Multiple brands aligning behind one initiative should reduce the burden and help to maintain focus on workers' rights to a safe workplace. We feel optimistic that this approach will help to maintain the significant safety enhancements made during the five-year commitment of the Alliance for Bangladesh Worker Safety.

Responsible Labor Initiative

Costco remains a member of the [Responsible Labor Initiative \(RLI\)](#), which promotes the rights of workers vulnerable to forced labor globally. This initiative represents another opportunity for Costco to join a diverse network of stakeholders focused on combating forced labor in our supply chains. Through our work with the RLI, we will continue to focus on leveraging industry-based efforts to reduce forced labor.

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Costco understands that it has a responsibility to source its products in a way that is respectful to the environment and to the people associated with that environment. Our goal is to help provide a net positive impact for communities in commodity-producing landscapes by doing our part to help reduce the loss of natural forests and other natural ecosystems, which include native and/or intact grasslands, peatlands, savannahs, and wetlands (collectively referred to as “natural ecosystems”).

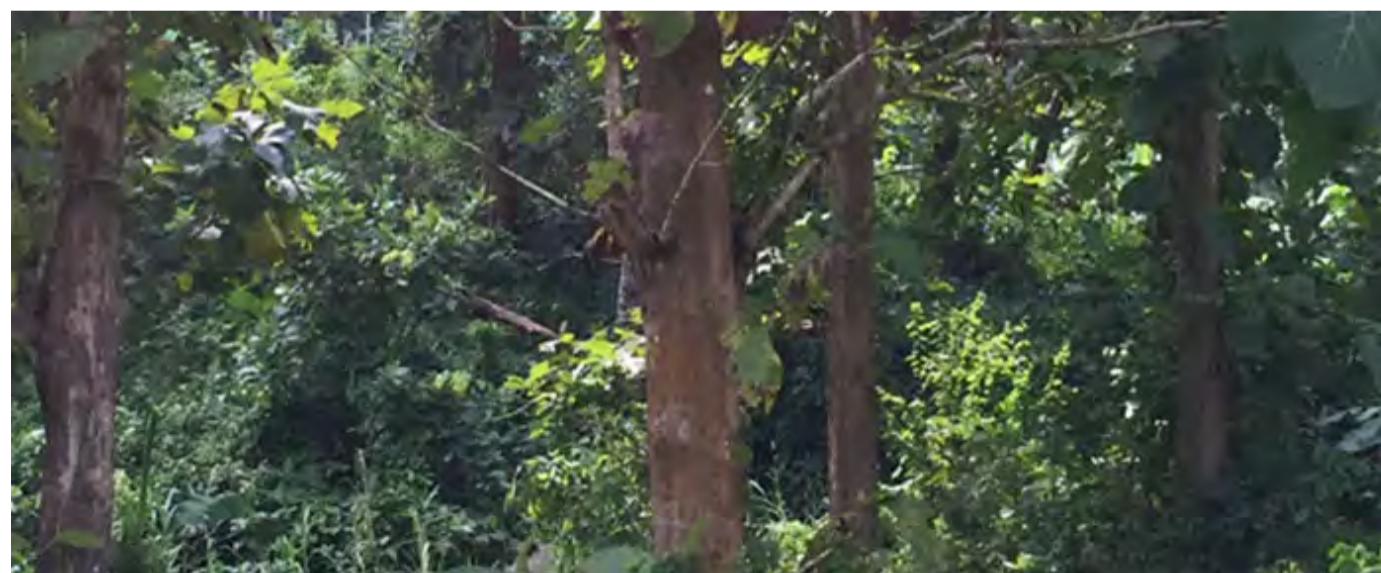


STEWARDSHIP GOALS

We want to work with suppliers and others to support good land stewardship practices that also respect the autonomy and property rights of the landowner; are outcome-based rather than prescriptive; and respect the ability of rural people and their communities to thrive while serving as stewards of the land. Good land stewardship practices include, but are not limited to:

- avoiding deforestation and conversion of natural ecosystems;
- conserving or restoring natural ecosystems;
- protecting High Conservation Value (HCV) and High Carbon Stock (HCS) forests;
- ensuring free, prior and informed consent of indigenous people;
- respecting basic human rights;
- avoiding pollution;
- protecting water resources;
- protecting from harmful chemicals;
- protecting, restoring, and promoting soil health; and
- supporting the increased healthy production-efficiency of lands currently in production.

We understand there are many differing perspectives on how to best protect these natural ecosystems; plus they are complex, with many stakeholders of varying cultures, viewpoints and land conservation practices. It will take a phased approach of continuous improvement over time to reach these goals. We cannot do this alone and will depend upon the insight, experience, and wisdom of our suppliers, scientists, and other experts. We also acknowledge that as we learn more, our goals may change.



FOREST CONSERVATION COMMITMENT

Introduction

Costco understands that it has a responsibility to source its products in a way that is respectful to the environment and to the people associated with that environment. Our goal is to help provide a net positive impact for communities in commodity-producing landscapes, by doing our part to help reduce the loss of natural forests and other high conservation value natural ecosystems. Deforestation is occurring at a rapid rate due to the conversion of natural forest landscapes to land used for growing livestock and agriculture. These natural ecosystems provide high environmental and social value, including habitat for diverse animal species, carbon sinks, and long-term livelihoods for human populations living in and near these forests.

We believe that our most impactful first steps to help support good forest stewardship practices and to protect forests are to (1) source our wood, paper, and fiber-based products from responsibly managed and certified forests, and (2) use recycled content and alternative fibers when feasible. While we desire all products to be sourced this way and encourage our suppliers to follow this goal, we have focused our efforts on our Kirkland Signature™ products. In FY2020, we published our Forest Conservation Commitment. We have further refined and updated it as stated herein.

Certified Fiber

Costco currently accepts forest management certifications from three leading organizations: Forest Stewardship Council® (FSC)¹, Sustainable Forestry Initiative (SFI) or Programme for the Endorsement of Forest Certification (PEFC), with a preference for FSC. The certification is dependent upon numerous factors, some of which include the currently available supply for each product, the geographic origin of the product and the country where the product is produced. These certifications help to ensure that the needs of the forest ecosystems and their communities are balanced with conservation of our forests for future generations.

Recycled Content

Virgin fibers and recycled fibers interact to create a mutually beneficial fiber cycle that meets a wide range of quality needs for products. Fiber products are not infinitely recyclable – after about seven times they degrade, lose their strength and are no longer usable. This is why virgin fibers have an important role in the cycle. Virgin fibers are valued for products that require their strength, softness, color and absorbance qualities, such as premium bath tissue. To reduce our use of virgin fiber, we will maintain a preference for recycled fiber where feasible and where we believe it is a more sustainable alternative to virgin fiber. The final choice of fiber will be determined by quality and food safety requirements, product specification and performance, and legal requirements.

Recycled fibers, in contrast, are great for making such things as cardboard and packaging, which don't require as much softness or absorbency. The production of cardboard and packaging use recycled fibers more efficiently than tissue production because fewer fibers fall through and end up as waste.

Responsible forest management is an important component in sourcing fiber for paper-based packaging. Costco remains committed to sourcing the fiber used for its products and packaging to come from known sources, be legally harvested under certified forest management programs and not contribute to deforestation or degradation. A major focus for Costco is to bring more recycled content into packaging, especially with Kirkland Signature™ products, where our company has the most influence.

Key Commodities

We are committed to eliminating deforestation in five key commodities in our Kirkland Signature supply chains that contribute to deforestation: palm oil, wood/pulp/paper, soy, cocoa and beef. In addition to updating our progress on our Sustainability Commitment Updates we also intend to publicly report using CDP Forest by 2022 or before.

Palm Oil

Costco is a member of the Roundtable on Sustainable Palm Oil (RSPO) and is committed to ensuring that the palm oil, palm kernel oil, palm kernel expeller oil, and other palm-based derivatives and fractions (“palm oil”) contained in Kirkland Signature™ products are responsibly sourced.

Our goal is that all palm oil used in Kirkland Signature products globally is 100% RSPO certified, with a preference for mass balance, segregated or identity preserved. As of 2021, 98.6% of our palm oil is RSPO certified, according to supplier-reported data.




More information can be found on the [Oil, Honey & Spices](#) product page.

Wood, Pulp & Paper

Costco remains committed to sourcing from certified forests all of its wood, pulp and paper products. Examples include:

- All teak sold at Costco is FSC 100% certified. Costco sells other FSC-certified solid wood products, including cedar wood playsets, gazebos, bee houses, outdoor furniture and pavilions.

- As of FY21 and based upon the volume of fiber used in our Kirkland Signature paper-based products in the chart below, 99.9% is certified to FSC, SFI and/or PEFC, according to supplier reports. We are working toward 100% certification that will include our Gift Tissue and Photo paper that represent 0.1% of this fiber volume. We will continue to expand the Kirkland Signature items in this chart as we develop new products.

Sept. 2020 - Aug. 2021 Kirkland Signature Product Type	 FSC	 SUSTAINABLE FORESTRY INITIATIVE SFI-01961	 PEFC™ PEFC028-44-13
Bath Tissue	93.8%	6.2%	
Paper Towel	4.3%	54.5%	41.2%
Napkin	9.2%	90.8%	
Facial Tissue	83.5%	16.5%	
Parchment Paper	100.0%		
Gift Wrapping Paper	100.0%		
*Gift Tissue			
**Photo Paper			
Total by Certification	64.3%	23.2%	12.4%

*From certified forest and recycled content, no certification on pack yet
 **Photo Paper FSC controlled wood sources, no certification on pack yet

- 99.4% of register tape used in our U.S. and Canadian warehouses is FSC-certified and is also phenol-free (no BPA or BPS). We are working to expand that to warehouses and gas stations worldwide. Japanese gas station receipts now use fiber from FSC certified sources, according to supplier reports. More information can be found on our [Chemical Management](#) page.
- In the U.S., according to supplier reports, the paper used for *The Costco Connection* magazine, Costco.com mailer, Business Savings Event mailer, Costco Services magazine, Holiday Savings Guide, Costco Travel Guide to Savings, and Costco Auto Program Show caseliers are certified to FSC or SFI standards. The U.S. Multivendor Mailers use fiber from FSC certified sources, although there is no certification claim on it.
- In Canada, the *Costco Connection* magazine, Wellness flier, and Costco.ca insert are certified to the FSC standard, according to supplier reports.
- Our U.S. warehouse pharmacy transitioned to member bags with FSC-certified recycled content.

More information can be found on the [Wood, Pulp & Paper](#) product page.

Soy

Costco understands that soy is a major driver of tropical deforestation in countries such as Brazil. For that reason and others, Costco will continue to source Kirkland Signature™ soy-based products, such as Kirkland Signature soybean oil, vegetable oil and organic soy beverages, from the U.S. and Canada.

More information can be found on the [Oil, Honey & Spices](#) product page and the [Eggs, Dairy & Plant-Based Beverage Alternatives](#) page.

Cocoa

Costco will continue to support efforts to eliminate deforestation in cocoa production. We are aware that the Côte d'Ivoire has lost 80% of its forests in the last 50 years and that cocoa production is one of the drivers of that loss. The majority of cocoa sourced for Kirkland Signature chocolate products is from Costco's Sassandra Cocoa program, located in the Côte d'Ivoire. Costco continues to fund the distribution and replanting of trees to facilitate reforestation and agroforestry efforts, for a total of 153,000 trees to date. Our goal is for 100% of cocoa farmers in the program to have their farms GPS polygon mapped for monitoring. This is done to ensure the farms are not located in protected forests and to help preserve these forests from any further encroachment. We

increased the number of farmers in the program by more than 25% this year and our partners worked quickly to polygon map their farms. As of September 2021, 100% of farmers are registered and 87% of the farms have been polygon mapped.

This program has implemented the following to reduce the risk of deforestation:

- In the past, 1.1 million hybrid high-yielding cocoa seedlings have been distributed, enabling 2,100 farmers to replant a total of 1,100 hectares.
- To date, over 153,000 forest and shade trees have been distributed.
- Farmers and cooperatives were asked to choose among the varieties of shade trees offered. We provided trees that service multiple purposes. Some provide fruit or medicine, while others provide natural nitrogen fixing properties to lessen the need for synthetic fertilizer. The preferred trees by farmers this season were Cedrela, Frake and Akpi.

More information can be found on the [Cocoa, Coffee & Coconut](#) product page and [Côte d'Ivoire Report](#).

Beef

There are concerns that beef production contributes to tropical deforestation in countries such as Argentina, Brazil, Colombia and Paraguay. We notified suppliers that our Kirkland Signature™ items containing beef should not come from these regions. This includes beef sold in our fresh meat cases. We conduct surveys with our suppliers to confirm compliance.

According to supplier reports for FY21, over 88% of the beef in Kirkland Signature items came from the U.S., Canada and New Zealand. From these reports, we identified one ground beef item being sold in one region that contained less than 1 percent of Argentine beef. We are working with our supplier to address this issue.

Our ongoing intent is not to source beef from high-risk deforestation regions until comprehensive traceability and monitoring systems are in place.

Costco is a member of the U.S. Roundtable of Sustainable Beef, and the Canadian Roundtable of Sustainable Beef, and engages with the Australian Beef Sustainability Framework. These multi stakeholder organizations facilitate the system-level change that is needed to address many of our environmental concerns.

More information can be found on the [Protein & Plant-Based Alternatives](#) product page.



POLLINATOR HEALTH & CHEMICAL REDUCTION

Pollinator health is a complex issue, which we are addressing in numerous ways. We understand that the native pollinators and managed honeybee populations are declining due to pests, pathogens, pesticides, and poor nutrition. These pollinators are necessary for pollinating approximately one-third of the food we eat, including many fruits, nuts and vegetables. More information can be found in our 2019 July *Costco Connection* article, [Honeybee Health](#).

Research Support

We have invested over \$6.5 million for honey bee research, putting natural forage back on the landscape, and best practices improvements with Project Apis m. in the U.S. and Canada. Project Apis m. and Costco are supporting a multi-year project to study honey bee and native bee interactions, to increase the science in this area, and to learn more about how to improve and manage habitat for the benefit of many bee species.

More information can be found on the [Project Apis m. Blog](#) and on the [Oils, Honey & Spices](#) product page.

Pollinator Friendly Agricultural Practices

We work with our fresh produce and almond suppliers to encourage the planting of buffer zones to benefit pollinators. We also encourage almond growers to use cover crops to increase the density, diversity and duration of bee forage in California orchards, which also improves soil health.

The seed mixes available through the [Seeds for Bees](#) program of Project *Apis m.* that we support are designed to provide multiple benefits to managed honey bees, native pollinators and crops. Some mixes bloom at critical times of the year when natural forage is scarce, but when managed bees are active. Seeds for Bees serves the needs of beekeepers and growers while increasing sustainability and biodiversity. In 2019, Seeds for Bees also developed a Western monarch habitat seed mix to address the dwindling Western Monarch Butterfly population. From 2013 to 2021, the Seeds for Bees program planted over 51,400 acres of cover crops in California.

In the Midwest of the US, a critical area where efforts are focused to support honey production, pollination, and native pollinators, we started working with The Bee and Butterfly Habitat Fund's [Seed A Legacy](#) Program. In 2020-21 this has resulted in 132 acres of pollinator habitat, 66 Monarch Butterfly mixture acres and 536,514 milkweed seeds.

In Brazil, where our Kirkland Signature™ Organic Raw Honey is sourced, we support Casa Apis' efforts to plant drought-tolerant native trees in Brazil. Casa Apis is a cooperative of over 700 small-scale beekeepers in Northeastern Brazil. As of August 2021, a total of 15,860 trees have been planted and their goal over the next five years is to plant over 200,000 seedlings across 740 acres of land to support the entire beekeeping population in the area.

Read more about Casa Apis efforts in this [Trees for Bees](#) write-up.

Chemical Use Reduction

[Pollinator Health Policy](#)

The scope of our [Pollinator Health Policy](#) includes suppliers of live goods (garden plants), fruit and vegetables. Costco encourages them to limit the use of non-essential chemicals, to utilize eco-friendly methods of pest and disease control, and to incorporate Integrated Pest Management (IPM) strategies and other creative solutions for the use of least toxic alternatives. Suppliers are encouraged to phase out the use of neonicotinoids and chlorpyrifos, unless mandated otherwise by law and when possible to avoid regrettable substitutions. Costco seeks to partner with suppliers that share our commitment to pollinator health and IPM, and make reasonable progress in a timely manner.

[Progress Update](#)

Our suppliers share our concern to minimize chemical use and have been phasing out the use of neonicotinoids and chlorpyrifos. We remain committed to working with our suppliers to phase out harmful chemicals. For FY21, we have expanded our grower survey to include our other selling regions and we also inquired about glyphosate as well as all organophosphates, not just chlorpyrifos. Below is a summary of our progress for live goods and cut flowers based on supplier reports:

- Live Goods: In FY21, we conducted a follow-up survey to U.S. live goods suppliers to determine their use of neonicotinoids since our last survey of 2021. As of FY21, 75% of our suppliers have moved away from using neonicotinoids, which is an increase from 70% in FY20. Sixty-nine percent of the remaining suppliers still using neonicotinoids reported that they've reduced usage. For FY21, 84% of U.S. live goods suppliers reported that they don't use any organophosphates and 76% said they don't use glyphosate.
- Fresh Flowers: In FY21, we surveyed our U.S. fresh flower suppliers and learned that 80% do not use neonicotinoids, 90% don't use organophosphates or glyphosate. The remaining suppliers decreased their use of those chemicals.
- Roses: Many of our cut roses we sell worldwide are sourced from Colombia and Ecuador – and are certified by the Rainforest Alliance, which prohibits the use of neonicotinoids and limits the use of chlorpyrifos with risk mitigation. Our UK locations sell roses sourced from Kenya and these suppliers do not use chlorpyrifos. Instead they use integrated pest management systems, use neonicotinoids in limited situations and, since the roses are grown under cover, pollinators are further protected from exposure to neonicotinoids. More information can be found on the [Organics, Greenhouse Grown & Horticulture](#) product page.
- Canada: For Live Goods and Fresh Flowers in FY21 92% of the suppliers aren't using neonicotinoids.
- Other practices to support pollinator health: Our global suppliers reported various efforts being done to support pollinator health and improve on farm practices such as integrated pest management (IPM); scout and monitor pest and pathogen to proactively manage their population; use of beneficial insects, biological alternatives, oils, and soaps; physically excluding plant pests by creating barriers and separations; working with extension offices and/or local government; setting aside land for pollinator habitat and planting other pollinator friendly native plants; and increasing regenerative and organic growing practices.

[Equitable Food Initiative \(EFI\)](#)

Costco is part of a fresh produce multi-stakeholder effort – that includes farmers, suppliers, and NGOs to improve labor practices, environmental stewardship, and food safety – for the benefit of workers, agricultural communities, businesses, and consumers.

More information can be found on the [Costco Connection](#) article, [Fairness in farming](#), the [EFI website](#) and in our [Human Rights](#) page.

As of July 2021, 16 Costco suppliers are working with EFI on 56 certified operations employing nearly 46,237 workers. EFI Program Status:

Costco Suppliers Certified Operations Employed Workers			
2020	15	41	28,600
2021	16	56	46,237

In addition to labor and food safety standards, certification also includes:

- An implemented [Integrated Pest Management \(IPM\)](#) plan that includes a stepped approach starting with biological controls followed by cultural, physical, and finally chemical responses.
- Application records for conventional and open fields operations to be entered into the [Pesticide Risk Tool \(PRT\)](#) in order to generate a risk assessment that can inform spray decisions. EFI continues to partner with [The IPM Institute of North America](#) to aggregate and analyze pesticide application records entered into the PRT.
- A written justification for each application of a highly hazardous pesticide, aligned with their IPM plan and documenting that risk management measures were implemented during application.
- Irrigation practices that limit erosion, and uncultivated buffer strips to further protect water habitats
- Worker training for appropriate pesticide use, and the importance of respecting reentry intervals, which also prohibits off-label pesticide use; providing to all workers personal protective equipment (PPE) free of charge; reporting to EFI leadership the name, date, and location of all applications; and medical monitoring of workers handling organophosphate or carbamate pesticides.

Expanded Product Selection

Almond Beverage:

Silk[®] recently unveiled its first lineup of Bee Better Certified almond milk products available exclusively at Costco. The Bee Better Certification applies to Silk's line of organic products sold at Costco including original, unsweetened, and unsweetened vanilla products, and represents a verified achievement to make almond farms better for bees. Almond farms certified to the Bee Better standard have planted habitat to provide food and shelter to bees, and promote integrated pest management practices that are safer for bees.

Read more about this product in our [Silk Brand Showcase](#) and in this article, [Bee Better Certified: One Acre At A Time](#).

Weed & Insect Control Products

- Costco now sells a number of organic and alternative gardening products, which contain natural and/or organic elements.
- Globally, we no longer offer weed and insect control products containing glyphosate, neonicotinoids or chlorpyrifos.
- Since 2018, we have sold various Bee Houses, including bee houses that support native pollinators, allowing our members an opportunity to also support pollinator health in their own home garden areas.

Organics and Greenhouses

We continue to expand our selection of organic products and have increased products grown in greenhouses, which in turn supports pollinator health. Costco's selection of organic products in FY21 continued to grow worldwide to meet our members' demands, with organic comprising 33% of our fresh produce sales.

For more information, please see our [Organics, Greenhouse Grown & Horticulture](#) product page.

CONSERVING & RESTORING NATURAL ECOSYSTEMS

Regenerative Agriculture

Costco believes protecting and regenerating nature is imperative and the right thing to do. We strongly encourage our suppliers to follow the principles of regenerative agriculture, which include practices that minimize soil disturbance, increase plant diversity, keep living roots in the ground year-round, keep soils covered and integrate animals back onto the land. These principles help create healthier soil. Healthy soils are critical to long-term agricultural production because they reduce plant vulnerability, can improve crop production and can improve farm profitability. Increasing the organic matter in soil helps the land hold and retain more water which is critical in times of drought or excessive rainfall.

Northern Great Plains Preservation

Costco recognizes that one of the greatest threats to native grasslands or prairies is the conversion to cropland. We also recognize that responsible beef production can be linked to the preservation of native grasslands in places like the Northern Great Plains of the U.S. (NGP), where the intact grassland ecosystem is compatible with

responsible cattle grazing.

Costco partnered with the World Wildlife Fund (WWF) and others to help protect the NGP intact grassland ecosystem and to test the U.S. Roundtable for Sustainable Beef's (USRSB) sustainability framework to ensure it is useful and practical for cow-calf producers in the NGP. This program partnership has since concluded and we learned valuable lessons to apply in our future rancher engagements.

Responsible grazing maintains the health of grasslands, improves soil quality with manure, and preserves open space and wildlife habitat. Additionally, carbon is sequestered in the grasses and soils of grazing lands that are properly managed. Beef production also provides social benefits by sustaining livelihoods and community vibrancy in rural areas where grasslands dominate. Keeping NGP as grasslands not only helps conserve biodiversity, but it also means cleaner streams, less fertilizer runoff, more pollinators for plants and more carbon stored in the soil. For more information, please visit our [Protein & Plant-Based Alternatives](#) product page.

¹Costco's FSC license code FSC-N003307

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Last Updated: May 2022



In 2021, we continued our focus on packaging – an area of our business where continuous improvement is needed.

We also know this is a complex aspect of our business that has many components, including concerns about the increase of plastic waste in landfills and the oceans, the need for more uniform waste collection programs, the need to increase the recycling infrastructure, the diversity and fragmentation of laws and regulations, and the shortage of viable alternatives that meet our needs. It will take time and the cooperation of many – including our suppliers, members, the packaging industry, municipal services and governments – working together to come up with solutions.



TRADE-OFFS & LIFE-CYCLE ANALYSIS

Trade-offs

Packaging is complex and trade-offs need to be made. We realize the trade-offs in selecting materials, and attempt to balance them and come up with solutions that have an overall positive impact.

There is no perfect package; choices require energy, water, and resources, and create an environmental impact. We consider every aspect of the process, from raw materials extraction, to recycled content, to production and delivery. No matter which material is selected, there are consequences at every stage of the process. By examining these solutions holistically, we make choices based on many factors such as water impacts and greenhouse gases throughout the life cycle of production, delivery, consumption and end of life.



Egg Packaging Trade-offs

While we recognize that recyclability of egg cartons is an increasing challenge for some of our members, we also prioritize reducing food waste in our supply chain. Using this packaging saves 9 million eggs a year from the waste stream. In addition, our egg packaging is made of 100% recycled PET water bottles and is 40% lighter than pulp egg cartons. This weight difference and packaging construction allows for 50% more cartons to be packed onto a truck, reducing the delivery impact between farms and our Greenhouse Gas Emissions (GHG) footprint.

Life-cycle Analysis

In order to better understand trade-offs and to optimize packaging options we utilize Life Cycle Assessment tools that allow us to:

- Understand the greenhouse gas emissions of materials selected
- See the water use and eutrophication of water in the manufacturing process
- Compare the weight and efficiency of truck delivery impacts
- Make more informed decisions by seeing the total impact of packaging production and end-of-life options from extraction to disposal

GLOBAL PACKAGING PLAN OVERVIEW

In 2019, we introduced our Global Packaging Plan to address many aspects of our business. It is divided into three categories: packaging goals, implementation plan and packaging strategies. Here is an update on our progress for fiscal year 2021.

Packaging Goals

- Reduce our operational packaging waste by improving our efficiencies, with the added benefit of reducing expenses.
- Provide sustainable packaging to our members without compromising food safety, product quality, or sales while ensuring our packaging: (1) complies with laws and regulations, (2) reduces materials, and (3) communicates effectively with our members.

Implementation Plan

Adopt global packaging, recycling and waste strategies for both operations (including operational waste and incoming pallet product packaging waste) and merchandising. Our progress for 2021 includes the following and can be reviewed in more detail on our Waste Minimization page:

- Developed and implemented Standard Operating Procedures for operational packaging waste in U.S. locations
- Launched the iGPS plastic pallet recycling pilot program
- Increased shrink and cardboard recycling in operations by 13.3%, a portion of which comes from incoming pallet packaging of products sold in our locations

Create internal systems to track and monitor our operational packaging waste and packaging footprint. Our progress for 2021 includes:

- Continued our packaging data collection process in an effort to gather accurate, detailed packaging information and develop a clear understanding of our packaging footprint. This project allows us to more closely track our materials use in our packaging choices, determine more effectively where we can make improvements and provide more transparency in the supply chain. With this information, we can make targeted goals based on actual data and make meaningful improvements.
- Made continued improvement to our global operational waste diversion reporting systems

Explore further partnerships to support innovations for packaging and packaging waste. Our progress for 2021 includes:

- Joined and/or became members and participated in numerous packaging organizations which include:
 - SPC: Sustainable Packaging Coalition
 - How2Recycle label program
 - APCO: Australian Packaging Covenant
 - APR: Association of Plastics Recyclers
 - PAC: Packaging Consortium: Packaging Association of Canada
- Working with materials experts at universities for input and advice
- Partnering with our suppliers to improve packaging. For example, a supplier in the **UK**, provides a comprehensive packaging option that reduces plastic packaging, uses recycled content, creates recyclable packaging and uses FSC certified fiber. To learn more, please see our U.K. *Costco Connection* article, Beyond the box.

Packaging Strategies

1. Reduce the amount of packaging overall
2. Increase the recycled content and certified fiber in packaging
3. Increase the recyclability and compostability of packaging
4. Educate and learn from employees, suppliers and members the importance of sustainable packaging and recycling

Progress on these are outlined below.

1 REDUCE THE AMOUNT OF PACKAGING OVERALL

Importance of Reduction

We recognize the global need to reduce the amount of packaging we use to keep waste out of landfills and to keep plastic out of the oceans. We are committed to doing our part. Our efforts are balanced against protecting the integrity of the product, the availability of suitable alternatives and the complex area of recyclability that is dependent upon geographic areas. In some cases we have eliminated plastic altogether, and if not possible, we try to reduce it through redesign. We also look at ways to reduce paper and corrugated packaging.

Progress to Date – Reduction Efforts

In 2019, we began an internal review to determine our packaging footprint. We determined that we have implemented packaging in the last several years that reduces our plastic footprint by over 8.6 million pounds for fiscal years 2019-20, which is summarized in the [2019-2020 packaging footprint summary](#).

Costco continues to make progress toward reduction of packaging as we review each item for opportunities to make meaningful changes. Each year brings new progress in our quest to add more items to this initiative. In 2021, we further reduced plastic by over 17 million pounds. We are making strides in this effort, as our year-over-year progress continues to add up and examples of our packaging footprint reduction, based on supplier reports in 2021 include:

- Redesigned our tub for *Kirkland Signature™ Platinum Performance UltraShine Dishwasher Detergent Pacs*, resulting in 35,000 pounds less plastic annually.
- Changed Kirkland Signature™ Ultra Clean HE Laundry Detergent Pacs from a tub to a bag, reducing plastic use by 1.36 million pounds annually.
- Changed the fresh apple packaging in our **U.S.** produce department from plastic clamshells to corrugated boxes, reducing plastic use by 11.3 million pounds annually.
- Reduced the gauge in our U.S. fresh meat trays by 25%, lowering our plastic use by 1.4 million pounds annually.
- Changed Kirkland Signature Roasted & Salted Cashews from a jar to a bag, reducing our annual plastic use by 1.6 million pounds.
- Reduced the gauge in our fresh meat roll bags in the **U.S.**, resulting in less plastic usage by 500,000 pounds annually.
- Changed wine bottles from glass to bag-in-a-box solutions, reducing the annual materials weight by over 2 million pounds.
- Changed the film window on our Kirkland Signature Triple Cheese Tart in **Korea** to a wood-based cellulose plastic that is also SFI certified.
- Converted loaf packaging the bakery to paperboard boxes.
- Reduced plastic packaging by our produce suppliers by over 295,000 pounds in the **U.S.** and **Mexico**.
- Changed the packaging on two service deli items, resulting in a 300,000 pound reduction in plastic in **Australia**.
- Replaced two black plastic bakery trays with fiber-based solutions, replacing plastic use by over 300,000 pounds annually in **Canada**.
- Discontinued individually wrapping Kirkland Signature apparel shipments in plastic bags.

In addition, our branded partners across the globe have made many efforts to change their packaging to align with our goals to reduce packaging, increase recycled content, and improve recyclability and communication with our members.

We continue to review and test items for further opportunities to reduce plastic and other materials. While the pace of change may appear slow, it can take several years to scale the changes, review and test to ensure packaging changes don't result in product damage or food spoilage – which could be environmentally worse than the packaging impact.

2 INCREASE THE RECYCLED CONTENT & CERTIFIED FIBER IN PACKAGING

Importance of Recycled Content

Our goal is for packaging to be widely recyclable and/or made from recycled content. Using recycled content serves many purposes:

- It supports the recycling industry, which we need to help us to manage the current state of packaging waste. While recycling has suffered from an outdated infrastructure, it is still a viable solution and an industry worth supporting. We will not be able to address our plastic waste issues without supporting the recycling industry. It supports the circular economy, and provides opportunities for closed-loop systems that regenerate materials.
- Depending upon whether the recycled content is fiber or plastic, recycling may reduce energy use in the production of packaging by lowering greenhouse gas emissions. The procurement of raw materials has an energy footprint that can be reduced by recycling existing materials, which is less carbon-intensive. Additionally, recycling diverts materials from landfills, which reduces methane emissions from materials in landfills.

Importance of Certified Fiber-based & Corrugated Packaging

Whenever possible, fiber used for paper-based packaging should come from known sources, should be procured from well-managed forests and should not contribute to deforestation. We want our fiber-based packaging sourced from responsibly managed and certified forests and/or use recycled content and alternative

fibers when feasible. Costco currently accepts forest management certifications from three leading organizations: Forest Stewardship Council (FSC), Sustainable Forestry Initiative (SFI) or Programme for the Endorsement of Forest Certification (PEFC), with a preference for FSC. We support certified fiber and traceability in fiber and paper resources

More information about Costco's deforestation goals can be found on the [Environmental Impacts and Land Stewardship](#) page.

Progress to Date - Recycled Content

Our use of recycled content in plastic packaging continues to be on par or ahead of global targets set by the many regions in which we operate. Costco has been an active user of recycled content in plastic packaging for many years and continues to increase its use of recycled content. Our use of recycled fiber also continues to grow. Please view a summary on our previous [2019-2020 increase of recycled content](#). In FY20, all of our U.S. Ecommerce shipping boxes fulfilled by Costco used 100% recycled content. In FY21, due to increased demand for ecommerce products and supply constraints, we had to supplement some boxes that did not utilize 100% recycled content. Examples of our progress on recycled content and certified fiber use in 2021 include:

- **U.S.** Kirkland Signature™ spice clear bottles use 50% recycled content.
- Kirkland Signature pet food bags increased from 30% to 50% recycled content.
- **Australian** fresh oyster tray packaging is now 100% recycled content.
- **U.S.** Kirkland Signature Ultra Clean HE Plant-Based Liquid Laundry Detergent packaging is composed of 80% post-consumer recycled content and 17% plant-based materials.
- **U.S.** Roll stock bags for fresh meat now contain 60% post-consumer recycled content.
- **U.S.** fresh produce corrugated apple boxes are FSC or SFI certified.
- **U.S.** fresh produce molded fiber baskets for mushrooms are FSC certified.
- **U.S.** food court plates are SFI certified and USDA Biobased certified.
- Our Kirkland Signature apparel packaging, hang tags, paper tags, paperboard inserts and polybags are all 100% recycled content.
- In Australia, our service deli replaced the black plastic base for rotisserie items and salads with recycled content and recyclable clear base packaging.

An additional 26 items globally now use recycled content and we continue to increase the items that are packaged with certified fiber materials.

3 INCREASE THE RECYCLABILITY & COMPOSTABILITY OF ALL PACKAGING

The Importance of Recyclability – and the Challenges

In the past several years, recycling and recyclable packaging have received a lot of attention. We understand that inconsistencies in the recycling process and service levels from place to place have contributed to confusion and distrust in the viability of recycling.

Many members and the general public were surprised to learn that recycling, at least in the U.S. and Mexico, is typically a private enterprise, and not a public service. In Canada, extended producer responsibility is mandated by regulations where curbside “blue box” programs are offered to the majority of the population and run by public and/or private enterprise, and paid for by the consumer and/or retailer. This means recycling is also dependent on market forces.

On January 1, 2018, global market forces were severely impacted when China banned the import of plastics for recycling, which accounted for 70% of global recycling, turning a revenue stream to an added cost for many global recyclers. Those items that recycling services can sell for materials recovery are what gets collected. If they cannot sell the used packaging, those items end up in the landfill and are suspended from collection. For recycling to improve, investment in recycling businesses and infrastructure is needed.

To be considered “recyclable,” various rules, regulations and guidelines require that the product be “widely recyclable,” meaning at least 50% (or more depending upon the geographic area) of the population has access to recycle the packaging. We also recognize widely recyclable packaging is dependent upon the availability of recycling infrastructure streams, which are inconsistent. This underscores the need for a multifaceted approach to recyclability.

Designing recyclable packaging is critical to creating a supply of recycled materials. We also want to provide an opportunity for our members to recycle by providing them with responsible choices in our packaging solutions. Recycling promotes a circular process where materials can be used more than once before reaching the end of life.

To assist us on our path to make our packaging recyclable, this year Costco joined the [Association of Plastics Recyclers \(APR\)](#), to support and learn how to improve recycling of our items, to support the industry that is a key driver of recovery of materials and to work toward meeting global requirements.

Additionally, our membership in the [Sustainable Packaging Coalition](#) and expansion of the [How2Recycle®](#) label on our packaging, helps us to analyze the recyclability of a package and communicate the proper sortation to our members.

Progress to Date - Recyclability

We continue to make progress in increasing our recyclable packaging. Many of our packages have been recyclable for some time. Please view our previous [2019 - 2020 increase of recyclable content](#) summary. Examples of our progress in 2021 include:

- In the U.S. the majority of our fresh apple clamshells have been converted into recyclable corrugated packaging.
- In Japan, our service deli changed the black plastic tray previously used for fresh sushi packaging to a clear, recyclable tray.

Operational Packaging

Costco also recycles a great deal of packaging in our daily operations and diverts over a half million tons of packaging annually. This was an increase of 13.3% in 2021 from 2020. Please see our [Waste Minimization](#) page.

Polystyrene

Costco continues to work on developing solutions to address expanded polystyrene use in a variety of packaging types. Some of our 2021 improvements include:

- In some **U.S.** markets we are now use recyclable PET trays for fresh meat.
- In our **U.S.** Business Delivery cold-chain packaging we use a dissolvable, starch-based foam with a recyclable film wrap for food product shipping.

Additionally, our **global** in-house operation recycled over 1,000 tons of Styrofoam® products in 2021.



Food Court Pizza Box

In 2020, the [Recycling Partnership](#) commissioned a [study](#) to determine the recyclability of pizza boxes. The research found that even moderate amounts of grease on the packaging still allowed for recycling.

Therefore in 2021, we added the [How2Recycle®](#) label to our food court pizza boxes to communicate this to our members. While not all recycling programs currently accept pizza boxes, this research supports reevaluating that position.



Importance of Compostability

Costco continues to expand the use of compostable packaging. We also recognize that single-use plastic is a worldwide concern and are exploring opportunities to replace those items with alternative materials. Additionally, we understand that access to industrial composting is limited for our members. With that in mind, we have determined that locations where we have control of the wastes are the best opportunity to ensure that these items get composted. We continue to make progress in our food court packaging globally and actively seek solutions for the remaining food service items to help reduce single-use plastic.

The past year Covid-19 affected many supply chains including those for compostable packaging. While every effort was made to adhere to our goal of compostable packaging for our food courts globally, periodically we were unable to meet that standard due to material shortages.

Progress to Date - Compostability

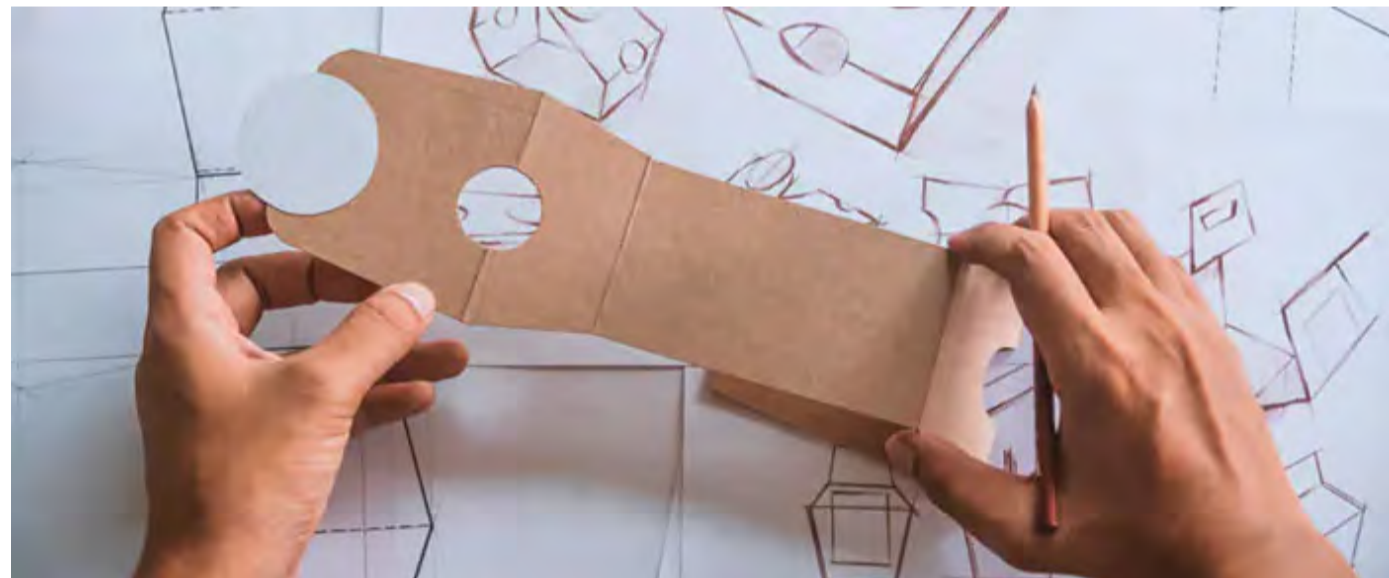
We continue to review and test available options across the company for opportunities to replace challenging materials. In 2021 we continued to expand and implement compostable food service packaging, which includes compostable birch flatware in our Australian food courts. Please review our [2019-2020 expansion of compostability](#) summary.

4 EDUCATE

In 2021 we continued to expand our platform for educating employees, suppliers, and members on our packaging efforts and how they can be involved. Additionally, we continue to reach out to learn more about the impact of our choices and making informed decisions.

We accomplish this in a variety of ways:

- Improved package labeling for recycling, recoverability and compostability
- Added the How2Recycle label to over 100 items with another 146 items currently in progress.
- Communication and education to our employees and members in the form of:
 - Packaging guidelines for our suppliers and employees
 - Internal training courses on sustainable packaging initiatives
 - Articles in our company publication, the *Costco Connection*
 - Articles in our employee publication, *Costco Today*
 - Employee club engagement, including activities and guest speakers
 - Special projects and internal teams to drive reporting, and to share ideas and solutions
 - Direct member engagement through phone and electronic communication
 - Package labeling and sustainability certifications



INNOVATION, REDESIGN & OPERATIONAL EFFICIENCIES

Costco continues to look for ways to improve the design of its packaging to reduce the amount, improve the efficiency, and improve operational efficiencies in order to reduce the packaging footprint and reduce costs. Some examples include:

- Costco has always sold goods directly out of the boxes they are shipped in, then reused those same recyclable boxes at the register by offering them to members in lieu of shopping bags. Boxes that don't get used by members are recycled in-house. More information can be found on the [Waste Minimization](#) page.
- We support the redesign of packaging to utilize more efficient pallet configurations, and to reduce the number of pallets and trucks on the road.
 - Multiple square jar projects have been implemented to promote this strategy, including the Kirkland Signature™ milk bottle program, candy and nut packaging, and multiple branded partners that have reconfigured their packaging for improved efficiency.

- Redesigned our tub for Kirkland Signature™ *Platinum Performance UltraShine Dishwasher Detergent Pacs*, resulting in more units per pallet, reducing 51 truckloads annually.
- Moved Kirkland Signature Cashews from a jar to a pouch, resulting in fewer pallets per truck needed to deliver goods as well as a reduction of over 200 truckloads annually.
- Converted some Kirkland Signature wine items into bag-in-a-box solutions, greatly reducing the weight of product on the truck and saving on greenhouse gas emissions.
- Begun testing reusable shipping crates for meat deliveries to their locations in our Spain fresh meat departments.

Closed-loop Success Stories

We work with many suppliers to review and test opportunities to try new materials, design options, and diversion opportunities.

- In **Canada**, our supplier [Ice River](#) collects water bottles, processes them into recycled content for Kirkland Signature Water bottles sold in Canada and uses the remaining material for outdoor furniture.
- In **Canada**, Costco recycles corrugated shippers and trays with Cascades, which converts them into new packaging products. Some of these products find their way back into Costco warehouses, either directly as Costco branded products or as national branded products. Once their useful life is over, these corrugated shippers and trays go back into the loop and are recycled again by Cascades. More information can be found in this [Closed Loop Summary](#).

Dozens of tests across our regions and product categories are currently being conducted to determine new and innovative solutions to existing packaging issues, to improve recyclability, to replace problematic materials, and to reduce material usage. As these items come online for full utilization, we will continue to report them here.



ADDITIONAL CONSIDERATIONS & FAQs

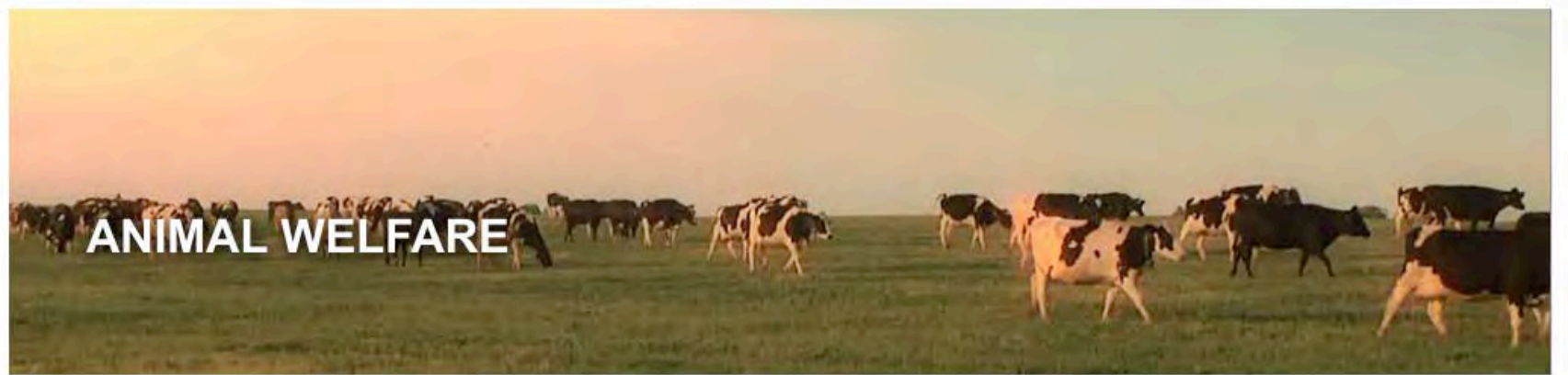
Material health in packaging is reviewed by our Quality Assurance department. For detailed information on our testing and screening process, please visit our [Chemical Management](#) page.

FAQs: Frequently asked questions

We receive many letters and inquiries from our members, who have great questions about packaging. For more information, please review our [Packaging FAQ Sheet](#).

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Last Updated: December 2021



Animal welfare is part of Costco's culture and responsibility, and we are committed to a global approach to Animal Welfare. We are working toward a uniform program in the countries/regions where we operate, while respecting that each country may have its own regulatory and social requirements in place.

MISSION STATEMENT

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

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

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

Costco supports the Five Freedoms of animal well-being as guiding principles for its Animal Welfare policies. Originally articulated by a committee of the British government in the 1960s (the Brambell Committee), it has been more recently espoused by Dr. Temple Grandin, a recognized expert on animal welfare. The five freedoms are:

- Freedom from fear;
- Freedom from discomfort (right environment, shelter and a place to rest);
- Freedom from thirst and hunger;
- Freedom to exhibit natural behavior; and
- Freedom from pain and suffering.

COLLABORATION WITH EXPERTS & SUPPLIERS

In 2021, we began a comprehensive review of our global programs, various global standards and benchmarks. We also have engaged with the [Center for Food Integrity](#) and retained Dr. Temple Grandin to assist us in this review. Our goal is to create a Global Animal Welfare Action Plan and updates will be published on this page. We also continue to stay abreast of new technologies and methods through engagement with our suppliers, academia and industry experts.

ANIMAL WELFARE TASK FORCE

Costco's Animal Welfare Task Force is made up of members from fresh meat buying, corporate and regional buying, animal welfare auditing, global sustainability & compliance, and global food safety. This Task Force will be key to creating and implementing our Global Animal Welfare Action Plan.

ANTIBIOTICS

Overview

Costco's goal is to control the use of antibiotics that are medically important to humans, in its meat and poultry supply chains. This is consistent with our goal of protecting the health and welfare of our members – and of the poultry, hogs, and cattle in our supply chains. Our policy is to limit application of these antibiotics to therapeutic use only for the prevention, control and treatment of disease only under the supervision of a licensed veterinarian in a valid veterinary client/patient relationship.

In 2021, we continued our engagement with our suppliers and learned it remains difficult in many supply chains to obtain verifiable certificates or affidavits in order to have quantitative metrics regarding the phase-out of routine use of shared use antibiotics. Supply chains are, for the most part, only minimally vertically integrated (particularly for beef and pork), with our suppliers being one too many steps removed from those who are raising animals. Many of these growers lack developed systems for aggregating metrics concerning antibiotic usage. This makes it very

difficult for our suppliers to gather and aggregate such information to report to us and to track changes in metrics over time. However, we are not delaying engagement with our suppliers and have formally partnered with Progressive Beef to learn more about antibiotic use in the beef supply chain.

Poultry Antibiotic Update

Regarding our poultry supply chains, we continue to work with our suppliers and have made progress, positioning us to make the following target commitments:

- By the end of 2022, 95% of Kirkland Signature™ chicken products (defined as frozen, sold in the meat case, rotisserie and raised with No Antibiotics Ever) sold in the U.S. will be raised without routine use of antibiotics important to human medicine.
- By the end of 2022, we will (1) outline a timeline for achieving 100% of chicken (defined as frozen, sold in the meat case and rotisserie) sold in the U.S to be raised without routine use of antibiotics important to human medicine; and (2) begin to report annually the percentage by product category (fresh chicken sold in the meat case, rotisserie, frozen and canned) raised without routine use of antibiotics important to human medicine, until such time as our target of 100% is reached.

Other Updates

For the supply chains other than poultry, our future antibiotic plans and next steps will be part of our Global Animal Welfare Action Plan. They will be guided by our interpretation of U.S. Food and Drug Administration Guidance 209 and 213 Veterinary Feed Directive, which discontinues the use of medically important antibiotics for growth promotion and requires veterinary oversight of all medically important antibiotics.

SCOPE AND RISK-BASED PHASED APPROACH

Because of the number of suppliers Costco has and their geographic dispersion, it is simply not practical to audit on an ongoing basis to confirm that all suppliers are in compliance with all aspects of our Animal Welfare policies. Accordingly, we take a risk-based approach with respect to targeting audits and otherwise seeking to confirm compliance. The approach is based upon several factors, including prior audit performance. This has resulted in placing emphasis on auditing suppliers of Kirkland Signature™ items, particularly in the United States. Even as to those items, however, the large number of producers in the supply chain limits the scope and frequency of audits that may feasibly be conducted and evaluated.

ANIMAL WELFARE AUDIT PROGRAM

Costco's animal welfare audit program is under review and will be updated in its Global Animal Welfare Action Plan. Currently, Costco utilizes recognized audit standards and programs conducted by trained auditors, and looks at animal welfare both on the farm and at slaughter. The purpose of an audit is to gather current, accurate information concerning the overall welfare of animals.

This information is made available to members of the Costco food safety and technology group, and buying staff. Audits apply to:

- On-farm audits. These inspect the welfare of live animals on the farm in their living environment. Currently these are conducted for the following species: chicken (egg-laying hens), dairy cows, pork, poultry (chicken and turkey), and veal.
- Slaughter audits. These take place at the plant where animals are slaughtered and processed for these species: beef, pork, poultry (chicken and turkey), and veal.

Audits can be conducted by Costco auditors, suppliers, and/or third parties. Audit type, frequency and intensity can vary across suppliers and species. Costco requires U.S. animal welfare auditors to be certified.

Organic certification in the U.S. in certain respects also includes animal welfare components. Costco sells large quantities of organic items derived from animal products, and these items are required to be certified organic in accordance with the law.

Below we outline our current animal welfare audit policies and procedures by species, which are under review as we develop our Global Animal Welfare Action Plan.



BEEF

- Costco requires animal welfare audits at slaughter in accordance with the American Meat Institute Recommended Animal Handling Guidelines.

DAIRY

- Costco requires animal welfare audits at the farm level. We have worked with third-party audit providers as well as parties that can implement second-party dairy audits. Our goal is to have an outcome-based program that recognizes sustainable practices in place and guides change at the dairy through training, sound protocols and a valid Veterinary Client Patient Relationship.
- The National Dairy FARM Program (Farmers Assuring Responsible Management) seeks to provide consistency and uniformity to best practices in animal care and quality assurance in the dairy industry. Costco works with larger cooperative suppliers that utilize the FARM Program to increase the frequency of third-party verification.
- Costco does not support tail docking and has actively sought to use suppliers that do not allow this practice. Current suppliers do not practice tail docking.
- Costco requires its suppliers to implement standards regarding age and pain management as it relates to dehorning practices.
- Costco strongly supports advances in dairy farming practices to include the use of genetic breeding programs to promote polled cattle (naturally hornless). Costco believes this will benefit the welfare of the cows and of the farmers who care for them by eliminating the need for dehorning.
- Costco recognizes that through the years its suppliers have embraced new ways to improve the welfare of the animals in their care. Costco expects suppliers to continue to seek improvements that promote good animal health and well-being.

VEAL

- Costco has a specific veal policy to promote calf welfare.
- Costco veal is traceable to the farm level and farms are inspected for compliance to the requirements.



LAYING HENS

Costco has introduced the Costco Hen House Audit in the U.S. This audit tool promotes a sense of responsibility and accountability to the supplier, and provides a means for annual barn evaluations.

- Suppliers are required to audit each house twice a year using the Costco Hen House app platform. The results are automatically transmitted to Costco upon completion.
- The app-based system gives visual examples of how to score each question as needed.

- The app requires the supplier to submit photo documentation for each question along with the answer as applicable.

CAGE-FREE EGGS

Costco is committed to procuring cage-free eggs and in fiscal year 2021 continued to increase the percentage of cage-free shell eggs it sells worldwide as indicated below:

Regions	FY 2019	FY 2020	FY 2021 ⁴
Australia ¹	59.6%	48.2%	43.8%
Canada	23.7%	22.8%	22.9%
China ²	N/A	0%	0%
France	100%	100%	100%
Iceland	100%	100%	100%
Japan ²	0.6%	0.8%	2.9%
Mexico	91.0%	97.3%	100%
South Korea ²	3.4%	9.6%	18.7%
Spain	100%	100%	100%
Taiwan ^{2,3}	0%	0%	8.1%
United Kingdom	100%	100%	100%
United States	90.7%	93.2%	94.2%
Global	70.8%	72.3%	73.9%

⁽¹⁾ Supply chain capacity in Australia continues to be a factor, due to the wildfires suffered in 2020 as well as higher demand in response to the Coronavirus outbreak.

⁽²⁾ Our progress in Taiwan, China, Japan and South Korea is dependent upon local available infrastructure and appropriate food safety practices. In September 2020 Taiwan began selling cage-free eggs in select locations and will continue to expand based on availability.

⁽³⁾ In Taiwan, all eggs sold come from larger enriched cages, improving bird welfare by providing them with more usable space, scratch pads/mats, perches and nest boxes, allowing the hens to perform more natural behavior.

⁽⁴⁾ Beginning in FY21, our reporting excludes Business Centers and Ecommerce.

In addition, Kirkland Signature™ Liquid Eggs are 100% cage-free. The transition to cage-free eggs will continue to increase with added availability and capacity of cage-free production.

POULTRY

- Costco requires animal welfare audits at slaughter in accordance with the National Chicken Council (NCC) Recommended Animal Handling Guidelines.
- Costco also audits hatchery and grow-out facilities.
- Costco implements animal welfare audits for laying hens.
 - Audits can include American Humane, Certified Humane and UEP audits.
 - Audits now extend in varying degrees to conventional cage, cage-free and organic housing systems.

In 2019, Costco began selling chicken produced in our vertically integrated facility located in Fremont, Nebraska, which is described in more detail on our [Kirkland Signature™ page](#). Animal welfare is a critical component that has been integrated into the supply chain, from the hatchery to the grower barns to the processing facility.

Costco Wholesale is committed to the welfare of animals in its supply chains. This includes broilers, which are chickens raised for meat (as opposed to eggs). Although these chickens have a life cycle of less than 45 days, their welfare is as important as that of animals that have longer life cycles. Most of our poultry needs are met by our complex in Nebraska (Lincoln Premium Poultry or LPP) and two other facilities in the Southeast, which are owned by third parties. One of these producers is certified organic, which brings with it animal-welfare requirements prescribed by the United States Department of Agriculture. These three facilities are our primary suppliers (which we call dedicated suppliers).

With respect to our dedicated suppliers: all broilers are raised uncaged, in barns where they are free to move about without restriction. The minimum standards followed in these barns are based on those developed by the National Chicken Council (NCC). These can be found by [clicking here](#). The National Chicken Council represents companies that account for approximately 95 percent of broiler chicken production in the United States. For our dedicated suppliers, compliance with the NCC standards is regularly audited by third-party auditors, who are independent of Costco and the producers and are certified by the Professional Animal Auditor Certification Organization (PAACO). For more about PAACO, [click here](#).

An important element of broiler welfare is how the animals are prepared for production. LPP and our dedicated organic supplier use a technique called Controlled Atmosphere Stunning (CAS). That technique is recognized as a superior method for slaughter, using methods that are calming for the animals and conducive to the welfare of employees who monitor the process. We are exploring the potential for transition to CAS at other facilities.

Our broiler welfare efforts are currently most highly focused on LPP, which raises around 100 million birds per year. In addition to CAS, LPP has adopted or is focusing on other key elements of welfare:

Density. In evaluating density, it is important to keep in mind that the broilers at LPP are raised to a weight smaller than industry average. When applying density standards that are expressed in weight per area, it is also important to remember that birds are under the maximum weight for the vast majority of their lives. LPP is currently operating at a reduced density standard of .93 square feet per bird.

Catching and Transport. LPP uses what is regarded as state of the art equipment for gathering of birds when they are ready to leave the barns. This highly automated system reduces opportunities for human mistakes that can occur with manual processes. In addition, the transportation of broilers occurs with covering and ventilation options that are adaptable to the wide range of weather conditions found in Nebraska and Iowa.

Breeding. Some parties have advocated that Costco and others change to breeds that grow more slowly. We have carefully analyzed the science that has been invoked for that position. We do not believe that the conclusions, which thus far are not the product of the rigorous peer review process associated with scientific papers, warrant a change in our practices at this time. Because of the density we prescribe for our broilers and the fact that our broilers are grown to a smaller size than is common in the industry, we believe that the incidence of adverse welfare impacts associated with larger fast-growing broilers under more crowded conditions is lower at LPP. At a time when Costco Wholesale is intensely focused on reducing its carbon footprint, we also have concerns that slower-growing breeds increase environmental impacts (greater feed demands, more energy usage, higher waste output), which should not be incurred absent meaningful gains in broiler welfare. As we increase engagement with our suppliers over reducing emissions in the production of goods for us, it is important that we set a good example in our own operations. We are engaged in communications with our breeding stock suppliers and study concerning selection that could over time enhance the leg strength of broilers, in an effort to reduce mobility problems and other issues. The nature of selective breeding means that this process occurs slowly.

Barn Enrichment. Some in the industry have experimented with features believed to enrich the experience of broilers in their barns. LPP has been monitoring studies that examine whether these enrichments actually improve outcomes or benefit farmworkers who work with the broilers. In addition, LPP is experimenting with enrichments in a small number of barns, to evaluate whether wider deployment is warranted.

While we believe we have achieved significant progress in our broiler welfare programs, we recognize that there is always room for improvement. LPP has engaged a full-time animal welfare officer and a full-time auditor for growers (in addition to the veterinarian on staff) and enhanced the training requirements for auditors that work in barns that supply it. LPP's objective is to audit each grower three times annually. Each shift at the processing plant also has an animal welfare auditor on duty. Early in 2021 we engaged the services of Dr. Temple Grandin, an independent and prominent animal welfare expert, to examine the practices at LPP and make recommendations for enhancements. Dr. Grandin ([click here](#) for more information) has provided her recommendations, which are now in various stages of implementation. Among other things, they entail enhanced education for farmers raising broilers, improvement of hatchery procedures, improved security for barns, and reduced stocking density. She will return for further evaluation. A variety of external events have slowed some of our intended progress, but we remain committed to improvements.



DOWN & FEATHERS

Costco has committed to responsible down sourcing. Costco now requires a certification to be present with all Costco production of down and feather products. Costco accepts certifications from International Down and Feather Lab (IDFL), Downpass or Responsible Down Standard (RDS).

Compliance to these standards ensures ethical sourcing of down and feathers through the verification of supplier traceability systems, general animal welfare, risk assessment, and other important best practices.

For more information, see the *Costco Connection* article, [Down's upside](#).



PORK

- Costco uses the Pork Quality Assurance Plus program. This is a producer-driven program that farmers can use to ensure that pork products are of the highest quality and are safe, and animals are cared for in a way that ensures their well-being.
- Costco has a Gestation Crate Policy that encourages suppliers to limit the use of gestation crates for pregnant sows in favor of group housing. There may be certain times during a sow's gestation period during which it would be best for her to be separated from the rest of the group because we have found that separation is acceptable, as long as it meets the intended needs and provides the appropriate protection and safety for the sow.
- We believe that U.S. and Canadian suppliers of our fresh pork and Kirkland Signature cooler items will by the end of 2022 be utilizing group housing or confinement that permit sows to turn around. These items represent over 90% of our pork volume in these countries, which represent over 80% of our membership warehouses.
- We are now targeting suppliers outside the United States for compliance with the policy, to the extent they are not held by local law to the same standard or a higher standard. And we are working with suppliers to achieve compliance for branded (non-Kirkland signature) cooler items and to further reduce the number of days that breeding sows spend in confinement.

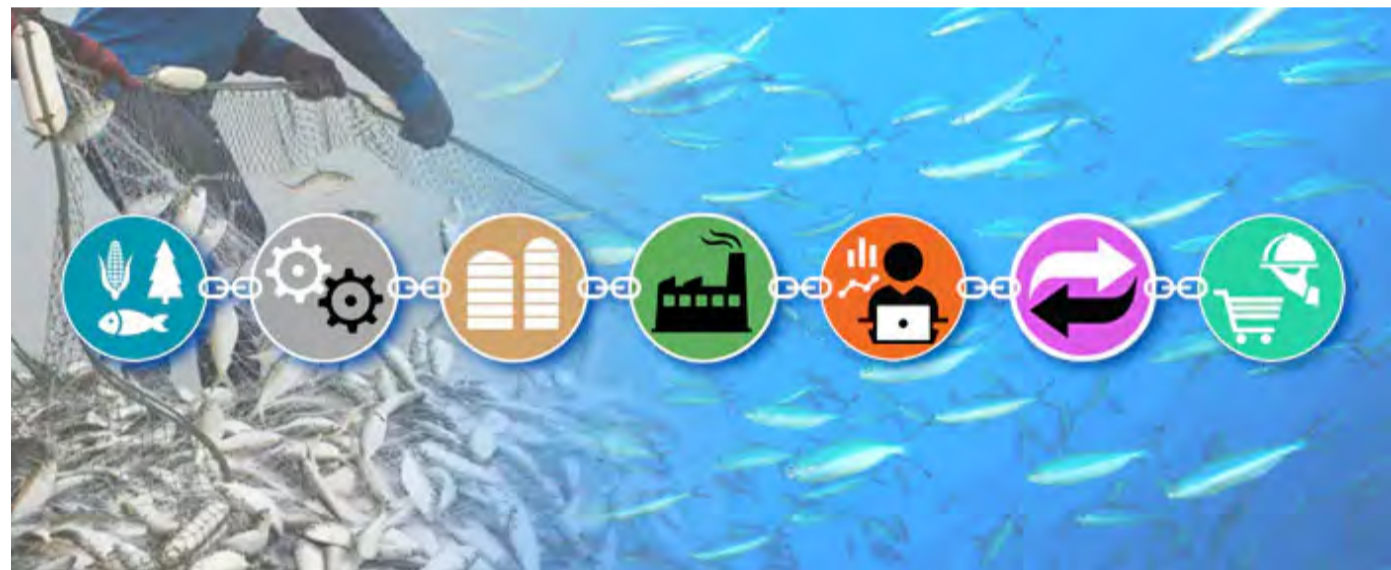
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The primary objectives of our seafood sourcing policy are:

- Continue to improve sustainably sourced seafood from either wild fisheries or farmed aquaculture in ways that meet current demands without compromising the availability of scarce resources for future generations.
- Continue to value the human rights, safety, and dignity of the people who produce, process, and harvest the products we sell.
- Consider these factors when sourcing seafood: the condition of fish stocks (biomass); the protection of and respect for the marine, coastal, and freshwater ecosystems; governmental and regulatory agency guidelines; and practices that will mitigate or limit environmental impacts associated with aquaculture and fishing practices. Traceability programs are key to identifying these factors.

As science and industry evolve, we will continue to refine these global policies.



SOURCING & TRACEABILITY

We have implemented an annual seafood survey for many of our global seafood suppliers, capturing key information such as species, catch/farm location, catch/farm method and eco-certification. We previously collected information from suppliers that provided products for our U.S. locations. We're currently collecting information from suppliers that provide seafood products to all of our global Costco locations. From this survey, we are able to better assess our impact and progress towards our goals.

The seafood industry is under increasing pressure to make its complex supply chains more transparent. At Costco, we are committed to being able to trace our Kirkland Signature™ farmed shrimp products to source farms in order to provide the traceability needed to ensure our products are produced in a more environmentally and socially responsible way. Through piloting end-to-end traceability systems like [TruTrace](#), we can more readily understand the connection between the seafood we display on our shelves and the people and places that helped produce it.



WILD SPECIES

We do not sell certain wild species that have been identified at great risk, unless our sources are certified by the [Marine Stewardship Council \(MSC\)](#). Currently, those species are:

- Atlantic cod
- Atlantic halibut
- Chilean sea bass
- Greenland halibut
- Grouper (*Epinephelus morio*)
- Orange roughy
- Redfish (sourced outside of U.S. Fisheries)
- Shark
- Skates and rays
- Swordfish (sourced outside of U.S. Fisheries)
- Bluefin tuna

If we decide in the future to rely on other certifying organizations and/or other credible sources that report on the status of these or other species in our procurement, we will disclose their identity and disclose that certification and/or verification on the packaging.

We continue to examine whether there are other species that we should cease to sell because of documented concerns of risk for the species or habitat.

Wild Salmon

Beginning with the 2019 fishing season and until further notice, we've committed to not sell Wild King Salmon (also known as Chinook Salmon) sourced from the Salish Sea (formerly known as Puget Sound), due to documented concerns related to its decline.

In Alaska, the sustainable management of salmon is protected by the Alaska State Constitution and serves as a model for continuous improvement of sustainable seafood production. Costco supplier [Trident Seafoods](#) maintains full ownership and control of the Alaskan salmon it provides to Costco. Learn more about this product at our [Seafood & Aquaculture](#) products page.



FISHERY IMPROVEMENT PROJECTS

Fishery Improvement Projects (FIPs) are alliances of stakeholders – retailers, processors, suppliers, producers and/or catchers, government, NGOs, and academia – that work to resolve aspects of the fishery that do not currently meet the MSC standard. The FIP process works with stakeholders to:

- Evaluate the fishery's performance to determine challenges and improvements needed in the fishery
- Agree on a set of actions that should be undertaken to improve the fishery so it can meet the MSC standard
- Work collaboratively to implement the actions and publicly track progress

For fisheries that do not currently meet the MSC standard, we encourage our suppliers to participate in comprehensive FIPs as a step toward MSC certification. Costco supports FIPs through participation in FIP meetings, letters to governments and/or fisheries participants, and financial contributions. Fisheries and industry members that are actively engaged in making continued progress in a FIP and demonstrate good management through the supply chain receive strong consideration in our purchasing decisions. Costco requires FIPs to be verified and monitored as credible by publicly reporting on FisheryProgress.org.

Costco Supported FIPs

From 2016 to 2021, Costco contributed \$443,000 to support Fishery Improvement Projects (FIPs). Costco works directly with the World Wildlife Fund (WWF) to support the following FIPs:

- [Spiny Lobster - Honduras](#)
- [Spiny Lobster - Nicaragua](#)
- [Spiny Lobster - Brazil](#)
- [Spiny Lobster - Belize](#)
- [Mahi Mahi - Ecuador](#)
- [Mahi Mahi - Peru](#)
- [Mahi Mahi - Taiwan](#)
- [Mahi Mahi and Yellowfin Tuna - Costa Rica](#)
- [Tuna and Swordfish - Sri Lanka](#)
- [Corvina - Suriname](#)
- Octopus - Morocco (FIP in development)
- Octopus - Philippines (FIP in development)
- Octopus - Mauritania (FIP in development)



Costco or Costco suppliers also purchase products from these FIP fisheries. Over time our sourcing from individual FIPs will vary, depending on market conditions and other factors.

Fishery Success Stories



Bahama Spiny Lobster

In 2018, through the hard work of our lobster suppliers, the Bahama spiny lobster fishery was certified by the Marine Stewardship Council (MSC) to meet its standards.

More information can be found in this [FIP success story video](#) and WWF article, [Certification Yields Greater Resilience](#).

Honduras and Nicaragua spiny lobster trap FIPs

The Honduras and Nicaragua spiny lobster trap fisheries have been working on improvements in each country since 2013 to move the fisheries towards meeting the MSC standard. In 2020, the fishery management agencies in both countries combined forces to gather catch data from processing plants, fishers, and government databases, and in 2021 they completed the first-ever binational spiny lobster stock assessment to determine the health of the shared lobster stock. Results showed that the stock is still being maintained at a healthy level, but scientists cautioned that additional measures should be implemented in both countries to ensure the lobster population remains healthy.



CANNED TUNA

Kirkland Signature™ Albacore canned tuna suppliers are participants in the [International Seafood Sustainability Foundation \(ISSF\)](#), which is undertaking science-based initiatives for the long-term conservation and sustainable use of tuna stocks, reducing bycatch and promoting ecosystem health. Each participating company is audited by a third party for compliance with ISSF conservation measures.

Costco is a founding member of the Seafood Taskforce and works in collaboration with other member companies and industry stakeholders to improve working conditions and the recruitment process for migrant workers on fishing vessels.

Learn more about the STF's work on [Responsible Recruitment](#).



AQUACULTURE

From 2016 to 2021, Costco has contributed \$310,000 to WWF to support and implement Aquaculture Improvement Projects.

We believe that farmed seafood should be an integral part of our business, that aquaculture is a critical source of affordable protein now and in the future, and that farming can be done in a sustainable, responsible manner with reduced impacts on the environment and local communities.

Farmed Shrimp

Costco has been an active participant in the implementation of the [Aquaculture Stewardship Council \(ASC\)](#) shrimp standards from the early stages. These global, performance-based standards help to minimize key negative environmental and social impacts of shrimp farming. Our goal ultimately is to source farmed shrimp from farms and suppliers that have been certified to ASC standards. This goal has been partially achieved and we are actively engaging to transition more shrimp farms to reach the ASC standard by working with our suppliers and the World Wildlife Fund to develop and implement Aquaculture Improvement Projects (AIPs).

Costco is also a founding member of the [Seafood Task Force \(STF\)](#), which aims to drive greater business confidence for global seafood buyers purchasing from Asia by tackling illegal, unreported, and unregulated (IUU) fishing; establishing supply chain oversight from vessel to plate; mitigating risk; assuring traceability; and improving social and environmental performance – step by step.

More information on the Seafood Taskforce (STF) and recent developments in Thailand can be found in the following links:

- [Seafood Taskforce Action Plan](#)
- [Public Support for Thai Government Fishery Reforms](#)
- [Fisheries Reforms that has resulted in a Green Card from the EU](#)
- [Securing Labor Rights through Social Compliance](#)

More information about Costco's shrimp sourcing, can be found in our July 2020 *Costco Connection* article, [No small feat](#).

Farmed Salmon

Costco does not intend to sell genetically modified salmon.

We are working with our suppliers to implement the ASC salmon standard representing years of collaboration among the industry, its customers and nongovernmental organizations. Our goal is to source farmed salmon from farms and suppliers that have been certified to the ASC standard. This goal has been partially achieved, and we are actively engaging to transition more salmon farms to reach the ASC standard by working with our suppliers and the World Wildlife Fund to generate momentum, collaboration, and accountability to the path to ASC. Improvements in Chile have focused on key issues such as empowering local communities in salmon farming areas to better engage with companies on issues that impact them.

Many of Costco's farmed salmon suppliers joined together in a pre-competitive collaboration called the [Global Salmon Initiative \(GSI\)](#) and launched a commitment to reaching 100% certification by the most robust, credible aquaculture global standard, ASC. In alignment with ASC indicators, GSI efforts have focused on the reduction of antibiotics and parasiticides, and the avoidance of wildlife interactions and escape events. This encompasses progress toward more responsible feed ingredients, including a reduction of fishmeal and oil use – plus commitments to deforestation-free terrestrial and feed ingredients.

Learn more about GSI's progress towards ASC certification in their [Sustainability Report](#).

Farmed Pangasius

We also are working with our suppliers concerning implementation of the ASC Pangasius Standard. Our goal is to source pangasius from farms and suppliers that have been certified under the ASC standards.

Farmed Tilapia

A five-year effort led to the development of the ASC tilapia standard completed in 2009. Costco's intent is to only sell tilapia from farms and suppliers that are ASC certified. Costco encourages suppliers to work toward ASC certification.

Additional information about Costco's Farmed Tilapia practices can be found in our August 2016 *Costco Connection* article, [Tilapia royalty](#), and on our [Seafood & Aquaculture](#) products page.

ASC Feed Standard

We understand that aquaculture feed has an impact on wild fisheries and feed ingredients sourced on land and support the newly released ASC Feed Standard. In 2021, ASC released its long-awaited feed standard that defines requirements for responsible factory practices and marine and terrestrial ingredients in ASC certified aquaculture feed, including soy and fishmeal/oil. The standard is currently undergoing a transition period for feed mills, farms and ingredients to move towards the standard, which becomes effective in 2022.

The ASC Feed Standard uses an improvement model for marine ingredients, which requires feed mills to source from more sustainable fisheries overtime. For plant-based ingredients, as with marine-based, mills will have to record and report all ingredients that make up over 1% of a feed, and will need to take steps to ensure they have been sourced from supply chains with low risk for illegal deforestation. Additionally, they will have to assess the risk of high-risk and high-volume ingredients that contribute to deforestation or land conversion, and must commit and report publicly to transitioning to a supply chain free from these key negative impacts. This mechanism is based on internationally recognized steps by the [Accountability Framework initiative \(AFi\)](#) to work toward ethical supply chains.

More information about ASC's aquaculture feed standards can be found on their [website](#).

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Costco's Chemical Management Policy strives to protect the health and safety of our members and the environment. Through various processes we aim to deliver products that are safer, healthier and more sustainable.

OUR APPROACH

Through our Chemical Management Policy, we aim to go beyond the boundaries of regulatory compliance, in an effort to reduce or remove potential chemical harm to humans and to the environment. In addition to contractually requiring our suppliers to comply with laws regarding chemicals in products and packaging, we provide guidance for preferred chemical choices by product category. We expect suppliers to understand the chemicals that are used in their products in order to:

- Identify chemicals of concern (COCs) utilizing comprehensive testing programs.
- Remove or apply the process of informed substitution for any identified COCs.
- Identify ways to change their manufacturing processes to reduce hazardous chemical use.
- Consider obtaining qualified third-party green certifications.



CHEMICAL TESTING & THE COSTCO SMART SCREENING PROGRAM

Costco tests many product categories worldwide for the chemicals regulated in the countries where we do business:

- Product categories tested include toys and other products intended for children, food use, furniture, electrical, apparel and home textiles.
- Examples of regulated chemicals include soluble heavy metals, heavy metals found in surface coating, Substance of Very High Concern (SVHCs), formaldehyde, flame retardants, dyes, phthalates, BPA and PFAS.
- Costco regularly updates its Global Costco Restricted Substance Lists (RSLs; see lists below) to keep up with global regulatory chemical restrictions in consumer products.

Beyond testing of many items for compliance with regulatory requirements, we work with major third-party laboratories to identify and test for COCs in many items that are not legally prohibited. We call this the Costco Smart Screening Program. These requirements include regulatory, industry and Costco analytical standards.

While we cannot test all products to our Smart Screening program, we have implemented a risk-based approach in our product category selection process. A priority in the Smart Screening program is our private label, Kirkland Signature™, which includes items such as apparel, cleaning products and packaging. Our attention does not stop with only Kirkland Signature items, however. Items within other branded categories that may be subjected to the program using our risk-based approach include apparel, bedding, home textiles, furniture, holiday decor, sporting goods items and products intended for pets, and related packaging. Additional details about some of these categories and products are below.

Costco third-party labs verify product specifications for many products provided by suppliers, and physically test these products. This program utilizes independent third parties to pull samples of consumer goods during Costco production to conduct analytical tests for both regulated chemicals and COCs. Costco recognizes and accepts a number of third-party certifications into its Smart Screening program. The third-party certifiers aim to provide safe, traceable and sustainable products.



Textiles

The largest category of products in the Costco Smart Screening Program is textiles. This area is based on the Apparel and Footwear International RSL Management (AFIRM) Working Group. The AFIRM Restricted Substance List (RSL) has been adopted by the third-party testing labs that perform testing on Costco’s textile and footwear products. Examples of products tested include apparel and footwear, sporting goods, luggage, handbags and home textiles such as blankets, sheets, rugs and towels. More information, including publication of AFIRM’S RSL and Packaging RSL, which is used for testing Costco products, can be found at the [AFIRM Group website](#).

Costco encourages its textile suppliers to implement in their supply chains the Zero Discharge of Hazardous Chemicals (ZDHC) [Manufacturing Restricted Substance List \(MRSL\)](#). This manufacturer’s RSL assists factories in protecting workers, creating safe products for our members and eliminating harmful chemicals to the planet.

Some examples of other third-party certification programs include:

- The Blue Way by BLUESIGN® represents the vision and mindset of responsible and sustainable manufacturing of textile consumer products. More information can be found on the [BLUESIGN](#) website.
- The STANDARD 100 by OEKO-TEX® program is designed to protect consumer and environmental health by removing chemicals of concern (COCs) from products and their components. The STANDARD 100 by OEKO-TEX® is an independent verification that products have been tested for harmful substances. More information can be found on the [OEKO-TEX® Standard](#) website.
- The LEATHER STANDARD by OEKO-TEX® is an internationally standardized testing and certification system for leather and leather goods at all production levels, including accessory materials. More information can be found on the [OEKO-TEX® Leather](#) website.

	FY20	FY21	FY22*
% Increase/Decrease in OEKO-TEX® Certifications for Costco products	28%	12%	12%

* 2022 figure does not include the last two periods of Costco’s fiscal year.

Packaging of Products and Packaging Used in our Warehouses

The labels and packaging of Costco items are tested for COCs as follows:

- Packaging of products that are part of the Costco Smart Screening Program use the AFIRM Group packaging material RSL. Examples of packaging components include paper, wood, cartons, stickers, plastic wrap, finishing dyes, inks, coatings, metal, tape, textiles and desiccants. More information can be found on the [AFIRM website](#).
- Many product categories that are tested but do not use Costco Smart Screening have their packaging tested by a third-party lab to meet U.S. [Toxics in Packaging Clearinghouse](#) and EU heavy metal testing requirements.
- Suppliers producing packaging for Kirkland Signature items must comply with the Costco RSL based on the AFIRM Packaging RSL. The supplier will have items selected to be audited with Costco Smart Screening testing. See the Costco Packaging Reference Chemical List in the “Costco Restricted Substance Lists” section below.

- Food contact packaging materials used in the Costco meat department, bakery, deli and food court are tested in the Costco Smart Screening Program. Examples of packaging include meat trays, bakery containers, deli tins and pizza boxes.

For more about Costco packaging, see the [Packaging section](#) in this Sustainability Commitment.

Cleaning & Beauty Aid Formulated Products

Suppliers are encouraged to provide Costco with ingredients either on the packaging, on their website or with a third-party chemical management tool. Costco works with third-party platforms to gather bills of substances (BOS). These platforms allow Costco and its suppliers to better understand the chemicals used in products.

Costco tests for COCs using Costco Smart Screening on Kirkland Signature cleaning, health and beauty formulated products. Costco recognizes and accepts certain third-party certifications into its Smart Screening program, which aim to provide safe, traceable and sustainable products. An example of a third-party certifier for formulated products would be Safer Choice. The U.S. Environmental Protection Agency (EPA) created the Safer Choice label to identify products made with safer ingredients for the health of families, pets, workplaces and the environment. Safer Choice-certified products have been carefully evaluated by EPA scientists.

MEASURING CHEMICALS IN PRODUCTS & PACKAGING

Costco measures suppliers' compliance with our policies by testing products for COCs using multi-RSLs depending on product or article material. Currently we are screening many of our products and their packaging, following our risk-based approach in our product category selection process. See product types listed in the "Chemical Testing & The Costco Smart Screening Program" section above. When a COC is identified in a product or packaging, the information is provided to the suppliers. Suppliers then work on corrective action plans by item. We also provide suppliers with report cards summarizing four years of testing for all products of the supplier that have been screened. These allow suppliers to investigate their supply chains across their operations. Costco shares industry resources with our suppliers via the [Costco Smart Screening Guide](#) to help them navigate their chemical management.

The number of our Smart Screening reports has increased over the past four years. In 2019 Costco managed 6,066 Costco Smart Screening reports. As of July 3, 2022 (the end of period 11 in Costco's fiscal year), there were 7,019 reports.

Measuring Chemicals of Concern	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2019	2020	2021	2022*
Costco Smart Screening results with NO Chemicals of concern (Lab Report)	72.52%	78.71%	81.20%	79.06%
% Increase/Decrease This Year vs Last Year		6.00%	16.81%	1.87%
% Costco Smart Screening findings on packaging rather than on product	43.90%	25.71%	34.82%	30.06%

* 2022 figures do not include the last two periods of Costco's fiscal year.

Over the years, the Costco Smart Screening Program has tested more products and more product categories. The Costco RSLs have also grown to keep up with industry standards, evolving science from our third party labs, and regulations. The testing capabilities at the labs continue to improve, which allow them to screen for more chemicals each year.

% Increase of Chemicals Listed in Costco Smart Screening RSLs				
	Packaging	Textile / Apparel	Cleaning, Health and Beauty	Hardlines Items
% Increase 2019 vs 2022	25.00%	18.97%	10.42%	18.97%

In addition to the chemical increase to the packaging RSL, the scope of materials tested for packaging has expanded. In earlier years some materials were not screened.

COSTCO RESTRICTED SUBSTANCES LISTS (RSLs)

The Costco Restricted Substances Lists include substances that may or may not be currently regulated for a specific material or product type. These lists include chemicals from EU Reach Substance of Very High Concern (SVHC), California Proposition 65 list, the U.S. Toxic Substances Control Act (TSCA), flame retardants, PFAs and more. Here are the lists by category:

- [Apparel and Textiles Reference Chemical List](#)
- [Cleaning Products and HABA Reference Chemical List](#)
- [Furniture and Hardgoods Reference Chemical List](#)
- [Luggage and Bags Reference Chemical List](#)
- [Packaging Reference Chemical List](#)



CHEMICALS USED IN AGRICULTURE & HORTICULTURE

Costco is also concerned about the chemicals applied to live goods/plants, fruit and vegetables, and our [Pollinator Health Policy](#) addresses this topic:

- We encourage suppliers to limit the use of nonessential chemicals, to utilize eco-friendly methods of pest and disease control, and to incorporate Integrated Pest Management (IPM) strategies and other creative solutions that use the least toxic alternatives.
- Suppliers are encouraged to phase out the use of neonicotinoids and chlorpyrifos, unless otherwise mandated by law and when necessary to avoid regrettable substitutions.
- Costco seeks to partner with suppliers that share our commitment to pollinator health and IPM, and are making reasonable progress in a timely manner. More information can be found in the [Pollinator Health & Chemical Reduction](#) section of this Sustainability Commitment.

STRATEGY, TRAINING & EDUCATION

Partnering with our suppliers to develop their chemical management programs for their supply chain, we provide suppliers with Costco RSLs, Costco Smart Screening results, Good Manufacturing facility audits results and Costco Smart Screening guide to help them source suitable alternative components and materials.

We also work with chemical and consumer product industries to increase our understanding and to find more environmentally friendly alternatives for chemicals and practices of concern. Examples include:

- We work with Dr. Sally Edwards and Dr. Ann Blake, our industry expert consultants, to review our chemicals management program and our Costco Smart Screening Program (conducted with the Berkeley Center for Green Chemistry and entitled “Beyond Compliance at Costco: A Comparative Analysis of Chemical Assessment Frameworks and Recommendations for Best Practices,” 2017-18), suggest enhancements, and to help us identify potential future trends.
- We educate our buyers and suppliers globally on the process, expectations and their testing progress by providing them with safe alternative resources, third-party certification programs and third-party lab testing services.
- The Costco Smart Screening Program provides information for suppliers on safe replacement chemicals and processes within The [Costco Smart Screening User Guide](#).



While a majority of our merchandise is branded, Costco's line of exclusive private-label products called Kirkland Signature™ continues to grow and expand. Kirkland Signature has grown into a global brand with over \$59 billion in sales in fiscal year 2021. In developing Kirkland Signature products, we have better control over the entire supply chain, including where the product comes from, environmental impacts, labor conditions and under what conditions it is produced.

ABOUT KIRKLAND SIGNATURE

Goals

Our goals for Kirkland Signature items are that they:

- provide our members with high-quality products at the lowest possible price;
- are respectful of the people or animals who produce them; and/or
- are respectful of the environment in the way they are produced, grown, harvested, processed, transported and packaged.

Our buyers work with our suppliers to continually improve our sourcing practices to enhance the quality and value of Kirkland Signature products, expand traceability, provide a fair return to people in the supply chain, and facilitate access to global or regional markets.

Traceability

Traceability is important for several key reasons. It enables Costco to know the quality and safety of the product; to examine issues related to environmental impacts; to list product origin information on the label; and to help people in the supply chain receive a fair return, so that the product can succeed in the long term.

Materiality Assessment

Costco worked with Verisk Maplecroft to provide an independent, comprehensive and data-led view of sustainability challenges across a broad range of agricultural raw materials, with a focus on our Kirkland Signature™ products. This review enables us to make evidence-led decisions to help prioritize sustainability strategy and risk mitigation efforts. Indices reviewed included:

- Environmental – GHG intensity, water stress, deforestation, climate change vulnerability, biodiversity and protected areas
- Social – child labor, forced labor, gender inequality, decent wages, modern slavery and indigenous people's rights
- Governance – corruption and government stability

Fair Return

A fair return in the supply chain is important; for Costco to be successful, its suppliers must thrive. This commitment helps to ensure long-term supply and quality while also using market-based approaches to address poverty and malnutrition. Costco believes a fair return is more than the price paid for the item. It includes programs that (1) support producers (i.e., ranchers, farmers, growers/workers) and their communities through training for higher yields, quality and adaptation to climate change and extreme weather events; (2) pay premiums for high-quality products; and (3) improve access to health care, education, housing, clean water, and nutritious food for farmers/workers and their communities.

Continuous Improvement

We're working toward these goals one item at a time. Though there is still a ways to go in certain areas to meet these goals, we are also encouraged by stories of success in the Kirkland Signature items to date, some of which are highlighted on the Product Category pages.

VERTICAL INTEGRATION & IN-COUNTRY PRODUCTION

In order to secure long term-supply, ensure quality products, create efficiencies, and eliminate unnecessary costs, Costco has been exploring vertical integration and in-country processing of some key Kirkland Signature items, summarized below.



Poultry Production

In 2019, Costco began to transition some of its Kirkland Signature™ Rotisserie Chicken and fresh chicken in the meat case to chicken produced in a new, vertically integrated facility located in Fremont, Nebraska – the chicken complex. It is owned by Costco and operated by Lincoln Premium Poultry (LPP), a Costco affiliate with poultry experience

Costco and LPP aim to create a vertically integrated chicken complex that:

- incorporates state-of-the-art equipment and design in its buildings
- provides significant economic benefit to the local community and farmers
- treats the chickens in accordance with the highest animal welfare standards
- is environmentally responsible, and
- provides our members with the highest quality product at the lowest possible price.

Processing Facility

The chicken complex is located on approximately 430 acres, and includes a feed mill, hatchery, processing plant and testing laboratory. The facilities are designed to conserve water, prevent runoff and treat the water before returning to the watershed. More information about water usage can be found on the [Water Minimization](#) page.

Facility Employees

The chicken complex employs approximately 1,100 people. Besides paying good wages and providing competitive benefits such as health care, 401(k) retirement opportunities, and paid vacation and sick leave, the plant will be subject to audits conducted by an independent third party auditor to ensure it is in compliance with the same Costco Supplier Code of Conduct that other Costco suppliers worldwide abide by. More information about our Supplier Code of Conduct can be found on our [Human Rights](#) page.

Local Farmers/Growers

The chicken complex relies on the support of more than 125 local farmers to grow the chickens required for the successful operation of the complex. Key features of this arrangement include:

- Growers receive a 15-year GIPSA contract (USDA Grain Inspection, Packers and Stockyards Administration), with a guaranteed base pay and the ability to earn a bonus. The state-of-the-art barns and equipment are built according to Costco/LPP specifications and are grower-owned and/or operated.
- LPP provides growers with the chicks, feed (see below), feed management plan, technical expertise and veterinary services.
- Grower contracts allow for peer review for grower improvement programs and to resolve disputes.
- Growers will be subject to strict animal welfare procedures audited by independent third party auditors, and biosecurity measures approved and monitored by the Nebraska Department of Agriculture. More information on Animal Welfare can be found on the [Animal Welfare](#) page.

Local Grain

The feed mill sources corn and soybeans from local farmers, which adds another economic benefit to the region surrounding the chicken complex. These grains are used to provide nutritious feed for the growers at no additional cost, as feed is included in the grower contracts.

For more information, here is a [video from a local grower](#).



Canadian Commissary

In 2017, Costco began producing frozen baked goods to ship to our Canadian in-warehouse bakeries. In 2019, shipments expanded to the U.S and then in 2020 to Mexico. The 93,700-square-foot state-of-the-art facility features four production lines that produce only eight items for the greatest efficiency. Focusing on producing our high-volume items for Costco Bakeries, while controlling costs and maintaining the highest quality of ingredients, allows us to lower the cost to our members.

As a new production facility, the commissary has been able to achieve less than 3% waste from all lines. This waste is then shipped off-site and converted into animal feed, which reduces the waste leaving the facility to a minimum. Utilizing bulk ingredient delivery systems also keeps the packaging of plastic and cardboard to a minimum.

In-Country Production

In order to reduce ocean freight and transportation emissions, lower costs while retaining product quality, and increase the shelf life of food items, Costco is now exploring in-country production of some of its high volume Kirkland Signature™ items. Some examples include:

- Kirkland Signature Bath Tissue is now produced in nine regions
- Kirkland Signature Bottled Water is now produced in eight regions
- Kirkland Signature Roasted Cashews and Mixed Nuts are now produced in two regions

SOURCE FOOD WASTE REDUCTION

We continually search for opportunities to reduce food waste when producing Kirkland Signature™ items. Examples include:



**Kirkland Signature
Farmed Tilapia Loins**

We use the top portion of the loin, and branded suppliers use the bottom loin to create value-added tilapia items that Costco sells in warehouses.



Unused cashews from our whole nut program are used in other Kirkland Signature™ products such as Cashew Clusters & Protein Bars.



Moving our egg packaging to a clear clamshell has reduced food waste by 9 million eggs annually, which diverts 1.2 million pounds of food from the waste stream every year. The clear packaging allows members full visibility of the product, prevents leakage from excess handling and keeps the egg from breaking while in transport from the egg producer. For more information, please visit the [Packaging](#) page.

Another example of source food waste reduction is Kirkland Signature Croissants, which are made in our Canadian Bakery Commissary and produced on lines that have less than 3% waste. This waste is shipped off-site and converted into animal feed.

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Last Updated: December 2021



KIRKLAND SIGNATURE COCOA

The majority of Kirkland Signature™ chocolate products are made from cocoa sourced through sustainable programs, some of which are from Costco's Sassandra Cocoa program, sourcing cocoa from Côte d'Ivoire and Ecuador. The Sassandra Program ("Program") is a partnership that began with Costco, Blommer and Olam in October 2009, and is named after the Sassandra River in the southwest region of Côte d'Ivoire. This is the original location of the cooperatives from where we source our cocoa beans. Since then, the Program has expanded and remains exclusive to Costco.

The Program – Côte d'Ivoire

The Program in Côte d'Ivoire is designed to provide a quality product that is traceable, improves profits and livelihoods for the farmers/cooperative members, and introduces respectful environmental practices. Each of our cooperatives are audited annually by an independent third party. To date, these audits have been conducted by Intertek. Highlights from Côte d'Ivoire include:

- Traceable and segregated cocoa;
- Child Labor Monitoring and Remediation System coverage (CLMRS);
- Farms GPS polygon mapped to reduce risk of deforestation with a goal of 100%;
- Social infrastructure investment, which includes schools, health centers, maternity wards, and community investments such as water pumps and storage facilities;
- Community development with a focus on women's empowerment through literacy and numeracy programs, alternative income generating activities, village savings and loan programs, and community gender equality sensitization programs;
- Premiums paid for quality product;
- Cooperative development and training; and
- Improved production through financing and farmer training



Costco is dedicated to preventing and remediating child labor wherever it is found. Unfortunately, child labor is a long-term systemic issue in cocoa supply chains and requires a multi-faceted approach focusing on continuous improvement and broadening awareness. We have had child labor monitoring and remediation programs in place for several years. When cases of child labor are identified our partners begin to work on implementing a remediation plan for that family. They also conduct follow-up visits to ensure the remediation plan is effective. Examples of our multifaceted remediations include:

- Increasing access to quality education through building classrooms
- Facilitating the issuance of birth certificates, which allow children to attend school
- Providing school kits often needed for classwork
- Building awareness in the community of the dangers to children including, but not limited to, carrying heavy loads, using machetes, and exposure to pesticides
- Supporting women through various programs to provide them with skills and resources that help them support and champion their families' welfare and education

More specific in-depth Sassandra Program information can be found in the [Côte d'Ivoire Report](#) and the Costco Connection article, [Cocoa channels](#). Additional information about cocoa and forest conservation can be found on our [Environmental Impacts](#) page.

The Program – Ecuador

Costco also sources a small percentage of cocoa from Ecuador. We supported a program in 2018/19 with our partners Blommer and [Heifer International](#) that was aimed at improving the living conditions of cocoa farmers in the Ecuadorian Amazon. As a result, cocoa-producing households in this program improved their incomes and strengthened their resilience against climate change. More information can be found in the [Ecuador Report](#).



KIRKLAND SIGNATURE COFFEE



Costco has numerous Kirkland Signature™ coffee items sourced from around the world. Some are Fair Trade Certified™, including Kirkland Signature K-Cups® and others are Utz Certified like Kirkland Signature Instant Coffee. This certification reflects Costco's commitment to source sustainably grown coffee and to maintain quality relationships with the farmers who supply it. Other coffee items are supported by sustainability programs that focus on farmer training, education, housing and/or health care.

Each item has a story. More information can be found about these programs in our *Costco Connection* article, [Family perks](#), as well as this [Rwandan video](#) and [Guatemalan video](#).

In addition, Kirkland Signature Ground Colombian Coffee is [nitrogen-flushed](#), allowing for a lighter can, which in turn allows Costco to put fewer trucks on the road and to lower its carbon footprint.



KIRKLAND SIGNATURE COCONUT WATER

One of the sources of Kirkland Signature™ Coconut Water is the Philippines, where over 30% of the country's households derive their income from coconut. However, this income is low due to lower productivity. A portion of past Costco sales supports the [Hope in a Coconut program](#), which improves farmer incomes through the replanting of higher yield seedlings, intercrop training, education opportunities and direct market linkages. As of June 2021, the program has shown an average 92% increase in total income for program farmers compared to 2016 when the program was started. This is due to increased coconut yields as well as income generation from the intercropping of fruit and vegetables, and raising livestock. More information can be found in this [Hope in a Coconut program summary](#).

Farmers in this program are trained and given resources on how to grow vegetables and other cash crops. This proved to be helpful when COVID-19 caused local markets to close and people had difficulty accessing fresh and nutritious food. For stories about some of the farmers in the program and how they have been able to provide for themselves, their family and their community, please view our [Hope Stories](#) summary.

Access to and availability of classrooms is a challenge in the Philippines. To date, sales have helped to build [14 elementary school classrooms](#), with one using eco-bricks made from recycled water bottles. This has directly benefited 1,700 students under the age of 13. These elementary schools are located in coconut farming communities in the Southern Philippines where access to public school is limited. Some of these classrooms are in indigenous people and Islamic communities, where the mother tongue/child's language is used as the medium of instruction and the curriculum includes indigenized classes.

COCONUT HARVESTING

Costco does not support the use of monkeys for coconut harvesting. We are committed to ensure suppliers abide by these same principles and only use human labor. Where there is a known risk due to cultural norms that may have allowed this practice, we require our suppliers to contractually prohibit the use of any animal labor from their coconut providers. We also require these suppliers to audit their farms and have a third-party independently verify compliance.

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KIRKLAND SIGNATURE ORGANIC EGGS

Costco works closely with a number of egg producers to source organic eggs across the U.S. We support several producers in converting conventional operations to organic: More information can be found in this August 2011 *Costco Connection* article, [The chicken, the egg and the future](#) and this [Wilcox Farms video](#).

In 2010, Costco and its organic egg farmers partnered with the Sustainable Food Lab to estimate the greenhouse gas (GHG) emissions in the organic egg supply chain over a three-year period through the use of the Cool Farm Tool. The estimate showed that the highest GHG emissions were produced through feed, followed by transport and manure management. Once aware, these farmers started to take action to lower emissions, which were reduced over the three-year period by 14% for the entire supply chain. More information can be found in this 2012 case study, [Measuring and Mitigating the Carbon Footprint of Organic Eggs](#).

KIRKLAND SIGNATURE CAGE-FREE EGGS

Costco is committed to providing cage-free shelled egg options for our members and continues to increase the percentage of cage-free eggs it sells worldwide. More information can be found at our [Animal Welfare](#) page. In addition, Kirkland Signature™ Liquid Eggs are 100% cage-free.



KIRKLAND SIGNATURE MILK

The Kirkland Signature Organic Milk program is offered to our members throughout the U.S. We have partnered with suppliers that provide high-quality milk at competitive prices. To learn more about one of these suppliers that also has an excellent animal welfare program and works with Costco to ensure a long-term supply of organic milk and feed can be found in this [Organic Milk video](#). Other Kirkland Signature milk suppliers are featured in the *Costco Connection* article, [Dairy queens](#).



PLANT-BASED BEVERAGE ALTERNATIVES

Costco understands that soy is a major driver of tropical deforestation in countries such as Brazil. For that reason and others, Costco continues to source the soy for Kirkland Signature Organic Soy Non-Dairy Beverage and Kirkland Signature Organic Non-Dairy Vanilla Soy Beverage from the U.S. and Canada.

In addition, Costco offers its members additional Kirkland Signature plant-based alternative beverages sourced from oats, almonds, coconuts and rice.

Silk® recently unveiled its first lineup of Bee Better Certified almondmilk products available exclusively at Costco. The Bee Better Certification applies to Silk's line of organic items sold at Costco, including original, unsweetened, and unsweetened vanilla products, and represents a verified achievement to make almond farms better for bees. Almond farms certified to the Bee Better standard have planted habitat to provide food and shelter to bees and promote integrated pest management practices that are safer for bees. Learn more about this product on the [Silk® Brand Showcase](#) and in [Bee Better Certified: One Acre At A Time](#) article.

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GAS STATIONS

Costco Gas Station maintenance and equipment are designed to limit emissions arising from station operations, and to contain vapor. In addition, our stations have corrosion-proof, double-wall underground storage tanks and piping that are continuously monitored for leakage. Finally, our station attendants are trained and certified on safety and environmental issues.

KIRKLAND SIGNATURE GASOLINE

Kirkland Signature™ gasoline helps deliver optimal engine performance and efficiency. Our fuel, tested to ensure quality and guarantee performance, is formulated with powerful deposit control additives that deep-clean your engine, restore fuel economy and reduce emissions by helping to lower tailpipe pollution caused by intake valve deposits and plugged fuel injectors. More information can be found on the [Kirkland Signature Gasoline](#) page.

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KIRKLAND SIGNATURE CHIA SEEDS

Mayorga Organics is one of Costco's sourcing partners for Kirkland Signature™ Organic Chia Seeds sold in Canada. Mayorga Organics focuses exclusively on organic crops and develops direct relationships with smallholder farmers in the more remote regions of Latin America. The company focuses on crop diversification and crop rotation to ensure that small farmers maintain healthy soils and diversified sources of income. In addition, Mayorga supports producers with access to financing, payment advances, agronomists, and seeds, and by paying fair prices.

For more information, please view this video from [Mayorga's partner chia farmers](#).



KIRKLAND SIGNATURE ORGANIC HEMP HEARTS

Hemp hearts, the soft inner center of the hemp seed, come from the same plant that has been used to make paper, rope, clothing, and other products. Kirkland Signature™ Organic Hemp Hearts are sourced from Canada and Lithuania.

Our Canadian-sourced Hemp hearts are supplied by Manitoba Harvest, a certified B-Corporation, whose mission to transform consumer health starts simply and sustainably with hemp.

Manitoba Harvest's Hemp is grown without herbicides or pesticides. They work with growers – to provide agronomic coaching for field selection and crop rotation, and seed fertility practices, and to meet requirements for organic certification.

As of spring 2018, Manitoba Harvest is [certified](#) under the [Carbonzero program](#). All greenhouse gases produced by Manitoba Harvest, including Canadian-based production, packing, and management facilities, and their Minneapolis-based offices, are offset with wind power.

Learn more about Hemp Hearts in these *Costco Connection* articles: [Hemp hearts buzz](#) and [Glutton for gluten-free](#).

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OILS, HONEY & SPICES



KIRKLAND SIGNATURE EXTRA VIRGIN OLIVE OIL

Costco has a long history of supporting smallholder olive farms. Since 1996, Costco has directly supported thousands of smallholder farms in Tuscany to make high-quality Kirkland Signature™ Toscano PGI (Protected Geographical Indication) Extra Virgin Olive Oil.

PGI signifies that:

- Every grower is registered;
- The number of trees and yields on each property are verified; and
- Each bottle is numbered in Tuscany under the strict guidelines of PGI to ensure traceability, authenticity and quality.

More information can be found in this [Tuscan Olive Oil video](#).

Kirkland Signature 100% Italian Extra Virgin Olive Oil, sourced from outside Tuscany, is certified by an independent third-party organization, with each bottle carrying an ISO-certified sticker. More information can be found in this [Italian Olive Oil video](#).

We continue to expand our certified single origin olive oil offerings from Greece, Italy and Spain. More information can be found in this [Spanish Olive Oil video](#).



PALM OIL

Costco is a member of the Roundtable on Sustainable Palm Oil (RSPO) and is committed to ensuring that the palm oil, palm kernel oil, palm kernel expeller and other palm-based derivatives and fractions (“palm oil”) contained in Kirkland Signature™ products is responsibly sourced.

Our goal is that all palm oil used in Kirkland Signature products is 100% RSPO certified (or equivalent), with a preference for physical palm. For a product to be RSPO certified, it must come from producers that have met the RSPO Principles and Criteria, which covers the most significant environmental and social impacts of palm oil production and the immediate inputs to production, such as seed, chemical, and water, and social impacts related to on-farm labour and community relations. These range from environmental protections, such as bans on new plantings on peatlands and burning forests to clearing new areas.

According to supplier-reported data, here's a look at how we have worked with suppliers to meet this goal:

Reporting Year ⁽¹⁾	RSPO Certified - Physical Palm Oil ⁽²⁾	RSPO Certified - Book & Claim Palm Oil Credits	RSPO Certified ⁽²⁾
2017	41.5%	4.6%	46.1%
2018	77.6%	4.3%	81.9%
2019	89.3% ⁽³⁾	7.2%	96.4%
2020	96.7%	0.8%	97.5%
2021	98.6%	0.03%	98.6%

⁽¹⁾Per RSPO reporting requirements, the reporting/calendar year represents that year's data, which is reported in May of the following year. For example, in May 2022, we reported 2021 calendar year data.

⁽²⁾"Physical Palm Oil" , which is our preference, comes from supply chains that are Identity Preserved, Segregated, or Mass Balance, whereas "RSPO Certified" may include the Book and Claim System.

⁽³⁾Restated to reflect data correction

More information can be found in our [Palm Oil Policy](#), the Annual Communication of Progress (ACOP) 2021 filed with [RSPO](#) and on our [Environmental Impacts & Land Stewardship](#) page.



KIRKLAND SIGNATURE SOY-BASED OILS

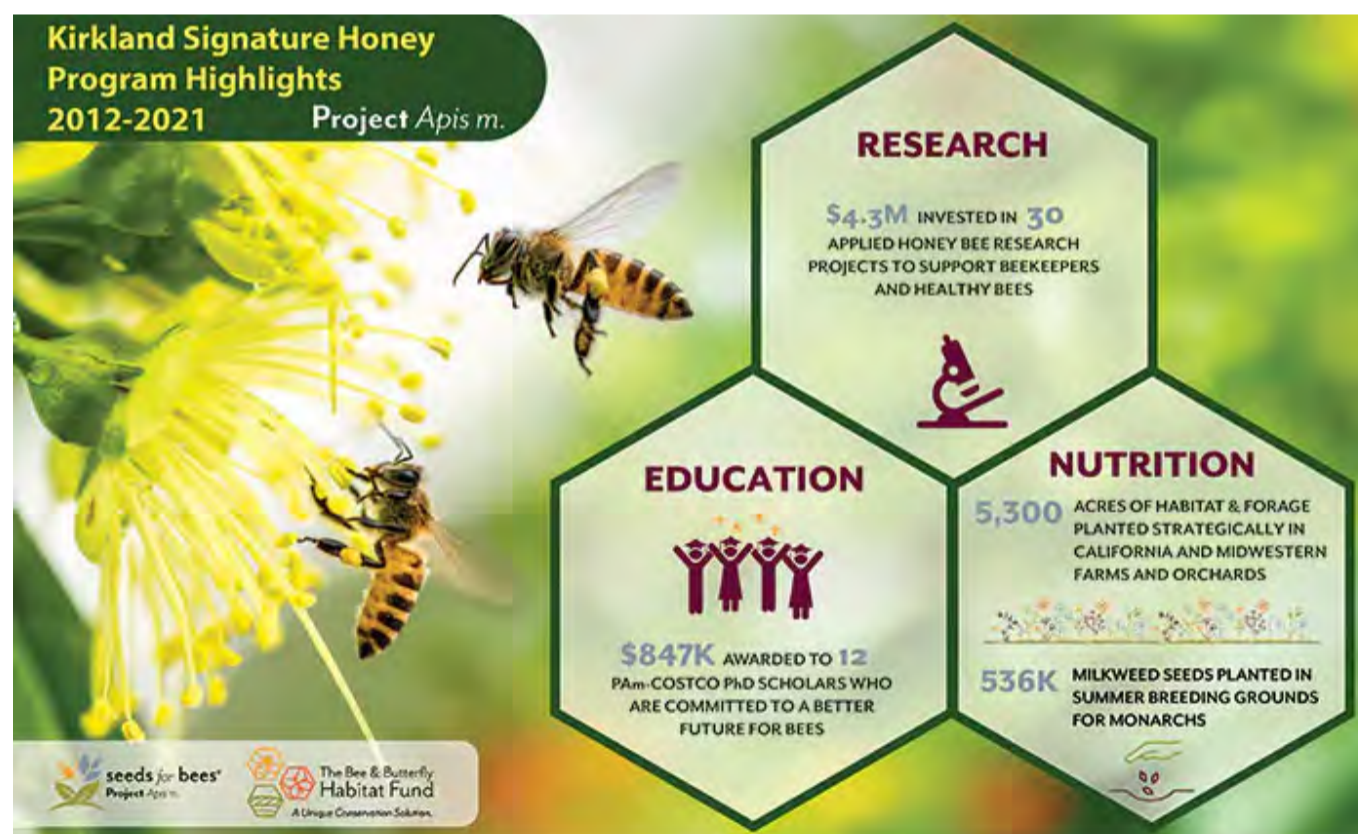
Costco understands that soy is a major driver of tropical deforestation in countries such as Brazil. For that reason and others, Costco will continue to source Kirkland Signature Soybean Oil and Kirkland Signature Vegetable Oil made from soybean oil from the U.S. and Canada.



KIRKLAND SIGNATURE HONEY

Costco understands that the honeybee population is experiencing multiple health threats. Honeybees are necessary for the pollination of approximately one-third of food consumed, including fruit, nuts and vegetables. Since 2012, Costco has invested over \$6.5 million in honeybee health by contributing a portion of its sales of Kirkland Signature™ Honey items to the nonprofit honeybee research organization *Project Apis m.* (PAm). The projects that Costco supports continue to expand. Below are some highlights together with progress updates:

- **Long-Term Stock Improvement**, which includes breeding and developing varroa-resistant bees for a sustainable, chemical-free varroa control option and maintaining a functioning and sustainable genetic repository for honeybee germplasm to safeguard the genetic integrity and diversity of honeybees against future health threats. More information can be found here, [The Hilo Bee Project & Varroa Resistant Bee video](#).
- **Apiculture Technology Transfer Teams** give U.S. beekeepers technical support in the field, survey honeybee health and educate beekeepers about Best Management Practices. These teams save beekeepers money, prevent losses and help to keep a finger on the pulse of bee health nationwide.
- **Ph.D. Scholarship Grants** provide to date more than \$847,000 to support the future of honeybee research. The next generation of bee scientists bring new ideas, skills and dedication to the field of experts. The program recognizes and supports outstanding graduate students who are pursuing research-based doctoral degrees in fields within the *Project Apis m.* mission of enhancing honeybee health while improving crop production. More information about these scholars in the U.S. and Canada can be found here: [PAm-Costco Scholars](#).
- **Seeds for Bees Forage** puts blooming plants back on the agricultural landscape, helping bees get the nutrition they need to stay healthy, pollinate, and make honey – all while increasing soil health and water infiltration. For more information, please view [The 2021 Seeds for Bees Impact Report](#).
- **The Bee and Butterfly Habitat Fund** establishes high quality pollinator habitat to ensure honeybee and monarch butterfly population health. The Midwest is a critical area where efforts are focused to support honey production, pollination and native pollinators. For more information, please view [The 2021 Bee and Butterfly Habitat Fund Impact Report](#).
- **Casa Apis** is a cooperative of over 700 small-scale beekeepers in Northeast Brazil that is the source of Kirkland Signature Organic Raw Honey. Costco has a \$100,000 grant to support efforts to plant drought-tolerant native trees in their community. As of August 2021, a total of 15,860 trees have been planted. More information about the project with Casa Apis can be found here: [Trees for Bees](#).



In 2019, Costco introduced an additional honey category: 100% Local Raw Unfiltered Honey from various regions around the U.S. More information can be found in the following *Costco Connection* articles, [Bee local](#) and [Honeybee health](#), in the [Pollinator Health & Chemical Reduction](#) section, and at [ProjectApism.org](#).



KIRKLAND SIGNATURE PEPPER

Kirkland Signature™ Black Pepper is one of our items that shows continuous improvement in both sourcing and packaging. The pepper we use is sourced from Vietnam, including from farmers in the Quang Tri Province. To learn more about how these Quang Tri Province farmers' livelihoods are improving, please read the *Costco Connection* article, [Peppers for prosperity](#).

The packaging of Kirkland Signature Black Pepper has evolved over time to become more sustainable as follows:

- The top of the pepper grinder is removable to allow the grinder to be refilled and reused.
- The clear jar is now composed of 50% recycled PET and is recyclable.
- Additional shrink wrap film has been removed from the display tray, which reduces the amount of overall plastic packaging.

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ORGANICS

Organic farming contributes to healthy land stewardship. Costco's selection of organic products in FY 2020 continued to grow worldwide to meet our members' demands. Examples include fruit, vegetables, meat, eggs, cheese, milk, butter, grains, nuts, coffee, tea, juice, wine, beer, spices, oils, sauces, snacks and cotton. Some are local to the individual geographic region and others are offered worldwide.

We have many excellent suppliers that help us grow and expand our organic offerings. One example is [Earthbound Farm](#) that grows various produce items using field practices to support soil health, promote natural pest management and weed control, and improve food safety. Where it makes sense we work with suppliers and growers to support the conversion of conventional supplies to organic.

A key component of the sustainable growth of protein organics, such as eggs, chicken, beef, pork, etc., is organic feed. Costco works with its suppliers and their feed suppliers to learn the impact that this growing demand for feed has on farmers' future security, yields and income.



GREENHOUSE GROWN

Greenhouses are another form of sustainable agriculture that we are exploring with our suppliers. In 2019, Costco began to sell romaine lettuce grown in a California greenhouse. More information can be found in the [Kirkland Signature™](#) section. This greenhouse is certified organic and its 12-acre growing site produces the equivalent of 150 planted field acres, which is a reduction in land use. In addition, there will be 0% of water runoff and minimal to 0% of erosion due to no-tillage.

Another example is [Windset Farms](#) that grows tomatoes, cucumbers and peppers in greenhouses through sustainable practices that include water and energy conservation, the use of renewable energy, and recyclable packaging.



FRESH CUT ROSES

Most of the cut rose heads sold by Costco are sourced from Colombia and Ecuador and are certified by the [Rainforest Alliance](#). This means that these roses are traceable to the farm and these certified suppliers meet standards that:

- protect ecosystems, wildlife habitats and pollinator health;
- conserve water and soil;
- promote decent and safe working conditions;
- ensure that the farms are good neighbors to rural communities and wildlands; and
- mitigate and adapt their business to climate change.

These suppliers also support their local communities through scholarship programs and childcare centers.

For the UK market, Costco began sourcing its fresh cut roses from Kenya through our supplier [MM Flowers](#) and farms of the VP Group.

Costco's rose suppliers are limiting the use of chemicals and more information can be found on our [Pollinator Health & Chemical Reduction](#) page.



LIVE GOODS

Costco's suppliers of live goods (indoor and outdoor plants) and fresh flowers are working to phase out harmful chemicals. More information can be found on our [Pollinator Health & Chemical Reduction](#) page.

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SUSTAINABLE BEEF PRODUCTION

Costco recognizes that beef production has an impact on the environment and, depending upon the beef production practices employed, the impact may be negative, positive, or somewhere in-between. Costco encourages suppliers to support good land stewardship practices. There are concerns that beef production contributes to tropical deforestation in countries such as Argentina, Brazil, Colombia and Paraguay. Our intent is not to source beef from high-risk deforestation regions until comprehensive traceability and monitoring systems are in place. We notified suppliers that Kirkland Signature™ items containing beef should not come from these regions. This includes beef sold in our fresh meat cases. We conduct surveys with our suppliers to confirm compliance.

According to supplier reports for fiscal year 2021, over 88% of the beef in Kirkland Signature items came from the U.S., Canada and New Zealand. We also identified one ground beef item being sold in one region that contained less than 1 percent of Argentine beef. We are working with our supplier to address this issue.

Costco is a member of the U.S. and Canadian Roundtables for Sustainable Beef, with a mission to advance, support, and communicate continuous improvement in the sustainability of U.S. and Canadian beef production by educating and engaging the beef value-chain through a collaborative multi-stakeholder effort.

Costco, in partnership with others in the U.S., is exploring how it can support ranchers to evaluate their management practices with key indicators linked to economic, social, livestock and environmental outcomes. Costco also engages with the Australian Beef Sustainability Framework.

BEEF & THE PRESERVATION OF NATIVE GRASSLANDS

Costco recognizes that one of the greatest threats to native grasslands or prairies is conversion to cropland. We also recognize that responsible beef production can be linked to the preservation of native grasslands in places like the Northern Great Plains (NGP) of the U.S., where the intact grasslands ecosystem is compatible with responsible cattle grazing.

Responsible grazing maintains the health of grasslands, improves soil quality with manure, and preserves open space and wildlife habitat. Additionally, carbon is sequestered in the grasses and soils of grazing lands that are properly managed. Beef production also provides social benefits by sustaining livelihoods and community vibrancy in rural areas where grasslands dominate. Keeping the NGP as grasslands not only helps conserve biodiversity, but it also means cleaner streams, less fertilizer runoff, more pollinators for plants and more carbon stored in the soil.

A key element of the pilot was to increase uptake of technology and monitoring tools or, in cases where useful tools did not exist, identify gaps for ecological monitoring and continuous improvement. The World Wildlife Fund (WWF) partnered with MaiaGrazing, a user-friendly, online grazing management application that helps ranchers maximize economic and environmental sustainability of their operations.

Costco purchased subscriptions of the professional version of the application for ranchers enrolled in the pilot. Throughout 2020, WWF promoted MaiaGrazing as a valuable tool for enrolled ranchers to plan their grazing management and rotations. While the uptake of the tool has been lower than expected, additional efforts are being reviewed to determine its viability.

This program partnership has since concluded and we learned valuable lessons to apply to our future rancher engagements. We continue to look for ways we can help.

PLANT-BASED ALTERNATIVES

Finally, Costco is aware of the need for protein diversification as an additional way to address deforestation and climate change. We continue to grow our selection of plant-based proteins, as an alternative protein offering to our members. Our growth in this area has been dependent upon availability and some examples include Kirkland Signature™ beverages and the Beyond Meat Burger™. In 2021, we have continued to experience an increase in plant-based protein sales.

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WILD ALASKAN SALMON PRODUCTS

In Alaska, sustainable management of salmon is protected by the Alaska State Constitution and serves as a model for sustainability. Costco supplier [Trident Seafoods](#) maintains full ownership and control of the Alaskan salmon it provides to Costco.

Together Costco and Trident Seafoods have developed numerous products to maximize the utilization of every fish harvested, including items such as fresh salmon fillets flown directly to warehouses, Kirkland Signature™ Skinless Boneless Canned Pink and Sockeye Salmon, Kirkland Signature Wild Alaskan Salmon Burgers, Kirkland Signature Wild Alaskan Smoked Sockeye Salmon, and Pure Alaska Omega™ Wild Alaskan Salmon Oil.

KIRKLAND SIGNATURE FARMED TILAPIA

A five-year effort led to the development of the ASC tilapia standard completed in 2009. Currently, all tilapia sold at Costco is from farms and suppliers that are ASC certified, including [Regal Springs](#). More information can be found in our August 2016 *Costco Connection* article, [Tilapia royalty](#).

To ensure that the product has a more uniform thickness, Costco uses only the top loin for its Kirkland Signature™ Frozen Tilapia. This allows Costco members a more consistent cooking experience. However, this left the thinner bottom loin of the tilapia as potential waste. Costco decided to partner with several of their nationally branded frozen fish suppliers such as Trident and High Liner Foods to find a solution. The result was the creation of many value-added frozen tilapia items found in Costco's freezer section such as Highliner Tortilla Crusted Tilapia and Trident Panko Breaded Tilapia. This is also a way for Costco to keep costs low and provide more value to our members.

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COTTON

Cotton Traceability

We began a cotton traceability program in 2019 to further understand where the cotton in our Kirkland Signature™ apparel is coming from. In 2020, we enhanced this program to include supply chain mapping and third-party traceability document verification. More information can be found on our Human Rights page, in the section on [Strategic Collaboration](#). In addition, our Kirkland Signature products made from Pima and or extra-long staple length (ELS) cotton require DNA testing protocols to verify these species. DNA testing is completed in multiple stages of the supply chain.

Kirkland Signature Bed Sheets

Kirkland Signature Bed Sheets are made from Pima cotton grown in the Central Valley of California. Through a patented technology, a program to test the traceability of cotton fiber through the entire supply chain has been established. This helps track the purity of the cotton and verify the manufacturing process from the fields to our shelves, ensuring higher quality. More information can be found in this [Cotton Traceability video](#).

One of the farms that grows ELS cotton used for our Kirkland Signature™ Bed Sheets is the [Bowles Farming Company \(BFCo\)](#), a family-owned and operated farm in California. Beyond compliance with regulatory requirements, BFCo has initiated programs and practices focused on protecting workers and the environment in areas of soil health, climate change, and water conservation. To learn more about these efforts, visit this article: [Bowles Farming Company](#).

Organic Cotton

For our organic cotton products, manufacturers claiming organic cotton must be certified by Global Organic Textile Standard (GOTS). GOTS is the global industry leader in certifying textiles processing for organic fibers, including cotton. The GOTS system certifies the product throughout the entire textile supply chain, ensuring the organic status of cotton from raw materials to the end consumer.

RECYCLED TEXTILES

Recycled fabric technology is currently a hot topic in the textile industry. To ensure recycled textile claims are verified and validated, Costco requires one of the two approved certifications, the Recycled Claim Standard (RCS) or Global Recycled Standard (GRS) [certification programs](#). Kirkland Signature™ apparel items require GRS.



WOOD, PULP & PAPER



Our goal is for our suppliers to create wood, paper and fiber-based products with as little impact to the ecosystem as possible while still delivering the quality and price that our members demand.



Wood Products

After a 10-year moratorium on teak, in 2015 we began selling a limited amount of outdoor teak furniture that was 100% FSC-certified and we continue to require that teak sold at Costco is FSC 100% certified.

Costco has expanded FSC certification to other species of solid wood products, including FSC-certified cedar wood playsets, gazebos, bee houses, outdoor furniture and pavilions.

To learn more about our product testing of furniture products, please visit our [Chemical Management](#) page.



Fiber-based Packaging

Our packaging goals are to reduce the amount, while still protecting the product's integrity. Fiber for paper-based packaging should come from known sources, should be procured legally and should not contribute to deforestation. Because there is a limited supply of certified fiber, we highly encourage the use of recycled content whenever possible.

In FY20, all of our U.S. Ecommerce shipping boxes fulfilled by Costco used 100% recycled content. In FY21, due to increased demand for ecommerce products and supply constraints, we had to supplement some boxes that did not utilize 100% recycled content.

More information can be found on the [Packaging](#) page.



KIRKLAND SIGNATURE PAPER-BASED PRODUCTS

Our goal is to have all Kirkland Signature™ paper products created to optimize recycled content and tree-free fibers where feasible. Virgin-wood fibers should come from certified, well-managed forests that don't contribute to deforestation or degradation.

Examples include:

- Kirkland Signature Bath Tissue, Paper Towels, Napkins, Facial Tissue, Parchment Paper, Gift Wrap and Daily Facial Towelettes all carry forest certifications with the majority of fiber coming from FSC.
- 99.4% of register tape used in our U.S. and Canadian warehouses is FSC-certified and is also phenol-free (no BPA or BPS). We are working to expand that to warehouses and gas stations worldwide. Japanese gas station receipts now use fiber from FSC certified sources, according to supply reports. More information can be found on our [Chemical Management](#) page.
- In the U.S., according to supplier reports, the paper used for the *Costco Connection* magazine, Costco.com mailer, Business Savings Event mailer, *Costco Services* magazine, Holiday Savings Guide, Costco Travel Guide Savings Guides, and Costco Auto Program Showcase fliers are certified to FSC or SFI standards. U.S. Multivendor mailers use fiber from FSC certified sources, although there is no certification claim on it.
- In Canada, the *Costco Connection* magazine, Wellness flier, and Costco.ca insert are certified to the FSC standard, according to supplier reports.

More information can be found on the [Forest Conservation Commitment](#) section of the [Environmental Impacts & Land Stewardship](#) page.



WIPES

Costco is committed to providing members with wipes that are sourced in an environmentally responsible manner. For example, Kirkland Signature Baby Wipes are made with biodegradable, renewable fibers derived from 100% plant-based material[®]. In addition, Costco supplier [Nice-Pak](#) [incorporates sustainable practices](#) into the production process that reduces water, energy, CO2 and waste to a landfill.

The fibers for Kirkland Signature Daily Facial Towelettes are responsibly sourced and now the product is FSC certified. Kirkland Signature Flushable Wipes are also transitioning to FSC certification.

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Doing the right thing – for our members, employees, suppliers, investors, and the health of our global community – is a driving force for continuous improvement at Costco and creates the foundation of our Climate Action Plan.

This page has been updated as of July 2022 to share our progress since December 2021.

INTRODUCTION



At the current rate of growth of global carbon dioxide equivalent (CO₂e) emissions, the negative effects of climate change – extreme weather events, ocean acidification, wildfires, rising sea levels, resource scarcity, deforestation, loss of biodiversity, forced migration, racial injustice, economic inequality and more – will likely cause the greatest disruption to life in human history. The United Nations [Intergovernmental Panel on Climate Change \(IPCC\) 6th Assessment Report](#) documents the global scientific consensus that global warming will exceed 1.5°C during the coming years unless deep reductions in carbon dioxide (CO₂) and other greenhouse gas emissions occur in the coming decades.

At Costco, we remain committed to doing our part to address our environmental and social impact in partnership with our global stakeholders. These efforts are both a business imperative and the right thing to do. Our Climate Action Plan is our roadmap to lowering greenhouse gas emissions. We are listening to our shareholders' request to accelerate our actions. In this update, we share our progress to date and plans to continue to improve. You'll find information on these topics:

- Specific actions we've taken since December 2021 across several key categories in support of our Climate Action Plan
- Our steps on governance and our alignment with the Task Force on Climate-Related Financial Disclosures (TCFD)
- Updates on our Scope 1, 2 and 3 emissions plans, and on our current CO₂e emissions tracking

OUR HOLISTIC APPROACH

Our approach to address climate change encompasses three foundational beliefs:

- The subjects we address are multi-faceted, as evidenced by the United Nations Sustainable Development Goals (SDGs) we have adopted (as shown above and explained in our [Sustainability Commitment introduction](#));
- Our approach must encompass worldwide operations and global supply chains; and
- We must use evidence-based best practices and take actions rooted in science.

We are also guided by our Sustainability Principles:

- For Costco to thrive, the world needs to thrive. We are committed to doing our part to help.
- We focus on issues related to our business and where we can contribute to real, results-driven positive impact.
- We do not have all of the answers, are learning as we go and seek continuous improvement.

Our FY21-FY24 [10-Point Climate Action Plan](#) addresses the climate impacts attributed to our global operations and supply chain. While we are committed to urgent actions to reduce carbon emissions, we also must align them with our objectives as to human rights, diversity, equity and inclusion, life above land and below water,

water conservation and reduction of waste. Meaningful climate action takes into account all of these issues because all of these issues are interconnected.

Our transition to a low carbon business model that is sustainable for our planet and represents a just transition for our employees, members and suppliers will be a monumental challenge for us and others. Our Climate Action Plan focuses on areas that have the potential to reduce our global CO₂e footprint, conserve water and minimize waste generation. We are actively exploring opportunities, ideas, pilot projects and sector initiatives for improvements in areas of our Scope 1, 2 and 3 footprint.

SCIENCE BASED TARGETS

We acknowledge the value of the Science Based Target Initiative's (SBTi) Corporate Net Zero Standard as a guiding framework for ambitious climate strategy, and we will continue to utilize SBTi's guidance as we evaluate solutions. Those solutions must be operationally viable and fulfill our obligations to our shareholders, employees, members and the communities we serve.

We respect the 2022 shareholder vote and have accelerated our Climate Action Plan milestones. While we are guided by Science Based Targets, we are not in a position to adopt them until we have plans to achieve them that are specific and achievable. As explained more fully below, we are working diligently on those plans.

That being said, we understand and appreciate the urgency to address climate change and are committed to doing our part to help achieve a 1.5 degree pathway. Over the next three fiscal years (2022-2024), we will determine Scope 1, 2 and 3 CO₂e emissions reduction targets and detailed action plans taking into consideration:

- UN Intergovernmental Panel on Climate Change (IPCC) reports, including the recent [6th Assessment Report](#)
- Outcomes of UN Climate Change Conference of Parties (COP), including COP26
- SBTi's Corporate Net Zero Standard
- Forthcoming SBTi [guidance on Forest, Land and Agriculture \(FLAG\)](#)
- Greenhouse Gas Protocol's [Scope 3 Calculation Guidance](#) and [Scope 3 Evaluator Tool](#)
- Forthcoming Greenhouse Gas Protocol's [Land Sector and Removals Guidance](#)
- [The Value Change Initiative](#)
- Other relevant and evolving guidance

In parallel, we will pursue water conservation and waste minimization initiatives across our operations and supply chain.

To date, we have made initial targets and absolute emission reduction commitments for Scopes 1 and 2, and are examining additional pathways for further reduction. We are in the process of estimating our Scope 3 emissions inventory, and we will begin to develop Scope 3 reduction options during the second half of 2022. (See "Climate Action Plan Updates" below for more details.)

We will provide our expanded Scope 1, 2 and 3 Action Plans in December 2022, in addition to other TCFD prescribed recommendations.

CLIMATE ACTION PLAN UPDATES

Since December 2021, we have accelerated our plans to reduce Scope 1, 2 and 3 CO₂e emissions. In addition to the immediate warehouse operations and energy challenges (Scope 1 and Scope 2), we must openly embrace the technically complex work of decarbonizing our global supply chain and uses of our sold products (Scope 3). We are invested in this work with suppliers and partners, employees and a range of stakeholders.

Here's a look at progress milestones made since December 2021 by category:

Overall Planning, Reporting and Accountability

Prepared for much more extensive climate reporting and disclosure in the second half of 2022 through these steps:

- For the first time, Costco will submit a Forests Questionnaire in this year's CDP reporting cycle, which closed on July 27. That submission joins a Climate Questionnaire for 2022.
- As new standards, frameworks and regulatory requirements evolve, we will continue providing TCFD-aligned disclosure, Greenhouse Gas Protocol-aligned emissions data and a foundation of SASB-based sustainability accounting (soon to be ISSB). These complementary approaches seek to align our measurement and reporting with the expectations of our global stakeholders.

Explored emerging regulatory requirements through the lens of best practices in global retail and other industries. This includes but is not limited to assessing rules and regulations by the California Air Resources Board (CARB) and examining policy directives from our U.S. and international markets.

Conducted climate-related scenario planning sessions with top leadership to examine the risks and opportunities associated with several global warming scenarios on Costco's business. Further details are listed below under "Aligning with TCFD."

Added talent and expertise to our Sustainability and Compliance teams to accelerate progress on our Climate Action Plan.

Scope 1 and 2 Emissions

Continued to build the capabilities to track compliance and dynamically monitor natural resource consumption at our warehouses, at the individual warehouse and aggregate levels, using our Sustainability Technical Assistance Review (STAR) framework to help manage warehouse CO2e emissions. You can find details on STAR [here](#).

Actively engaged global business lines and functional teams to evaluate, design and implement Scope 1 and 2 reduction opportunities. This work involves financial and operational analysis of refrigerant leak reduction, vehicle electrification, vehicle charging infrastructure and renewable energy, as well as other key categories.

Initiated pilots to explore new decarbonization opportunities. These test, trial and pilot programs explore additional decarbonization opportunities. Examples include:

- Placing orders for four electric yard goats for use at Costco distribution centers
- Testing an electric bakery oven at a warehouse location
- Conducting a solar electric vehicle (EV) charging test at multiple warehouse locations
- Completing a business plan for installing EV charging infrastructure at pilot locations
- Exploring renewable diesel options for Business Delivery California trucks
- Testing refrigerant leak reduction technology systems at 12 warehouse locations to reduce fugitive emissions

Made progress on our reductions of Scope 1 and 2 emissions based on comparing our 2020 verified baseline emissions to our FY21 verified emissions. See "Scope 1 and 2 Emissions Reductions" below for a summary.

Scope 3 Emissions

Estimated preliminary Scope 3 emissions baselines and began developing a Scope 3 Action Plan. We are learning from our STAR initiative and our global supplier network to develop a plan to reduce emissions across the supply chain.

Worked to establish our preliminary initial Scope 3 CO2e inventory estimates following Greenhouse Gas Protocol guidance for five of the 15 categories that we find are material. We believe that the majority of our Scope 3 emissions stem from Category 1 (Purchased Goods & Services) and Category 11 (Use of Sold Products).

Surveyed our top 500 suppliers to understand their emissions tracking and some aspects of their reduction efforts. These 500 suppliers cover approximately 70% of annual U.S. sales:

- Survey results included Scope 1, 2 and 3 CO2e footprint and reduction targets, supplier progress toward goals, and water and packaging-related information.
- Survey results also revealed the initial maturity and objectives of these suppliers which will determine the level of future engagement needed.
- Survey results revealed almost 30% (based upon U.S. sales) of suppliers state they are aligned with Science Based Targets.

We plan to share our preliminary Supplier Engagement Strategy at our September Global Supplier meeting as part of our joint efforts to reduce emissions.

ALIGNING WITH TCFD

Our adherence to TCFD recommendations continues to improve:

Executive-Level Climate-Related Scenario Planning. We conducted an in-depth climate-related scenario analysis with our top 25 global executives in April 2022. This scenario analysis explored climate-related risks and opportunities (physical and transition) to operations, supply chain, members, employees, reputation and products. We identified key implications for strengthening the resilience of the business around the world, including potential vulnerability to Costco's supply chain and suppliers. We are extending this critical work with a second scenario planning session at the end of July to incorporate the next layer of executive leaders and determine relevant initiatives and response plans to address the identified risks and opportunities. See further details below, under "Strategy."

Disclosures Review. We conducted a detailed assessment of our current reporting compared to TCFD recommendations and will publish additional TCFD-aligned disclosures later in 2022. These will position us to comply with evolving regulatory requirements, many of which are TCFD based. By the end of 2022, Costco will begin disclosing information using TCFD’s framework of Core Elements and Recommendations as a guide. This builds on our 2020 adoption of the Sustainability Accounting Standards Board (SASB) standard.

Meanwhile, here’s an update of steps we’ve taken regarding TCFD core elements of Governance, Strategy, Risk Management, and Metrics and Targets.

Governance

TCFD’s Core Element of Governance focuses on the role of the Board of Directors and management team. Earlier this year, Costco’s Board of Directors officially made sustainability a core part of the charter and responsibility for the Board’s Nominating and Governance Committee. On the management side, Costco’s sustainability strategy continues to be led by our Vice President of Global Sustainability and Compliance, who reports directly to the CEO and regularly engages the executive team and the Board. Costco recently launched our ESG (Environmental, Social, and Governance) Executive Advisory Council, which brings together leaders from across the company to chart goals and strategy. We have also aligned executive compensation with ESG priorities through our Executive Bonus Plan, which rests on quantitative metrics including diversity, equity and inclusion (DEI), resource consumption and waste reduction, and climate emissions reduction.

Strategy

As mentioned above, Costco launched a detailed climate-related scenario analysis process in Spring 2022. This critical tool is central to TCFD’s framework and increasingly expected in major markets, including the UK and the upcoming climate disclosure rule in the U.S.

We brought together our global executives in person to consider the potential impacts to Costco, our members, our suppliers and our communities. Potential impacts were identified under multiple scenarios — one in which coordinated global action achieves average warming of well below 2.0°C, another aligned with a 2.0-3.0°C warmer world with much less policy and market coordination, and a third scenario with similar policy and market fragmentation and average warming exceeding 3.0°C.

This summer, we will bring this strategy framework to the next level of our managers and further explore the range of climate-related risks and opportunities that Costco may encounter in the future.

Risk Management

Building on the scenario analysis described above, Costco is currently identifying and assessing climate-related risks and opportunities. This includes physical risks, such as potential impacts from extreme weather events on our suppliers and members, as well as important new regulatory and policy requirements across our major markets. Costco’s TCFD disclosure later this year will represent one major step toward readiness in this area, as we look ahead to future requirements and stakeholder expectations.

Metrics and Targets

In January 2022, we publicly disclosed our preliminary Scope 1 and 2 reduction targets (see additional detail in the “Scope 1 and 2 Emissions Reductions” section below). We are pursuing further decarbonization opportunities ahead of our December 2022 disclosures.

Alongside our 2022 CDP Climate submission, Costco also will submit our 2022 CDP Forest submission in July. We also continue to reduce waste from our operations and deploy new sensors and management systems for water efficiency. In the area of climate, we expanded our CO₂e emissions inventory analysis over the past six months to cover all materially relevant Scope 3 categories.

Throughout the second half of this year, Costco will continue to connect our sustainability metrics to the climate-related risks and opportunities identified through scenario analysis and risk assessment, discussed above. That strategic integration will enable us to share our targets and goals with our members, suppliers and community of stakeholders in an updated Climate Action Plan by the end of this year.

We will continue, as appropriate and until stated otherwise, to report our emissions and participate in the CDP, established by the GHG Protocol Corporate Accounting and Reporting Standard.

SCOPE 1 AND 2 EMISSIONS REDUCTIONS

We continue to execute our Scope 1 and 2 decarbonization strategy developed in 2021, which includes the following steps:

- **Design and implement** centralized data collection, analysis and reporting solutions to support warehouse-level carbon, water and waste performance management;

- **Reduce** carbon emissions through energy and refrigeration projects;
- **Purchase more** renewable electricity and **install** on-site renewables when operationally feasible; and
- **Acquire** high-quality, verified renewable energy certificates (RECs) after exhausting all other cost-effective reduction pathways.

Emissions Verifications. Our calendar year 2020 Scope 1 and 2 CO₂e footprint was verified by SCS Global Services. We are using this baseline to set absolute reduction targets and measure our future actions. We have engaged SCS Global Services to verify our FY21 Scope 1 and 2 CO₂e emissions, which will be reported to CDP.

Initial Reduction Commitments. Two categories collectively represent over 75% of our 2020 baseline Scope 1 and 2 emissions:

- **Scope 1:** Hydrofluorocarbons (i.e., HFCs) and other gases from our refrigeration units in our warehouses; and
- **Scope 2:** Purchased electricity that powers our warehouses and corporate offices.

As of January 2022, our new Scope 1 and 2 reduction commitments are as follows:

- **Scope 1:** Accelerate the phase-out of HFCs and increase our investment in refrigeration retrofits to reduce refrigerant emission Global Warming Potential (GWP) by 30% by 2030 as compared to our 2020 baseline.
- **Scope 2:** Increase purchased renewable electricity in our global operations from 15.8% in 2021 to 30% by 2025; 60% by 2030; and 100% by 2035.

Between these two actions we are committing to an annual 2% per year reduction target for global Scope 1 and 2 CO₂e emissions. We estimate this would reduce our cumulative Scope 1 and 2 CO₂e emissions 20% by 2030 and 45% by 2035 from a 2020 base year. We will disclose the remainder of our Scope 1 and 2 decarbonization strategy in our December update. This will build on ongoing Scope 1 and 2 analysis across our global footprint, including the piloting of alternative-fuel vehicles in our Depot and Business Center fleets, testing refrigerant leak-reduction technology, and evaluating broader electrification opportunities within our warehouses.

Ongoing Challenges. Successfully implementing this decarbonization strategy depends upon many factors, some of which are beyond our control. Examples include, but are not limited to, changes in the international and national policy and regulatory landscape, permitting requirements, the availability of refrigerant equipment and low-GWP refrigerant alternatives, the availability of qualified refrigerant and HVAC service providers, requisite supply of renewable energy, COVID-19 pandemic-related socio-economic and public health risks, as well as the direct and indirect impact of global climate change on our operations and global value chain.

SCOPE 3 EMISSIONS REDUCTIONS

In addition to the aforementioned progress, we are focusing on Scope 3 emission reduction opportunities across material Categories with an emphasis on Category 1 and Category 11, as they represent the largest contributions to our current footprint. This is our largest challenge, given the large share of our emissions contributed by Scope 3 and our dependence on third parties to achieve reductions.

Our plans include, but are not limited to:

- Continuing to disclose per DEFRA our Scope 3 GHG Inventory for Category 5 (Waste Generated in Operations)
- Finalizing and verifying our Scope 3 emissions inventory estimates for the remaining categories for a FY2020 base year
- Developing a Scope 3 Action Plan for December 2022 public disclosure

Additionally, we also intend to consult forthcoming [SBTi FLAG guidance](#) and Greenhouse Gas Protocol [Land Sector and Removals](#) guidance as we consider our approach to Scope 3 reductions. We understand the urgency for better understanding our Scope 3 emissions impact and are focusing our efforts on finding improvement opportunities across our supply chain.

CURRENT CO₂e EMISSIONS TRACKING

Costco reports Scope 1 and Scope 2 emissions in alignment with the GHG Protocol Corporate Accounting & Reporting Standard:

- Scope 1 Direct Emissions include all natural gas and propane provided to owned or controlled facilities used for heating or food processing and manufacturing. Included in direct emissions are diesel used by Costco's truck fleets, refrigerated trailers and yard haulers; propane to power mobile floor scrubbers; jet fuel for corporate jets and fugitive emissions from HFC refrigerants from refrigeration and air conditioning equipment.
- Scope 2 Indirect Emissions are for purchased electricity and comprise the largest percentage of our total Scope 1 and 2 CO₂e emissions.

In 2016, we set a goal to manage our carbon footprint growth to be less than our company sales growth. For the reporting period of FY21, we achieved that goal, as we have consistently done since 2017 and as noted in our carbon footprint summary below.

For FY21, we came in at 2,647,132 tCO₂e for Scope 1 and 2 emissions. This reflects a 0.6% decrease versus calendar year 2020 (please note the difference in reporting time frames due to changes in our CDP reporting time frames). While not a perfect measure, we believe that we continue to move in the right direction.

This reduction is noteworthy in light of the growth that our business has seen. We've added more warehouse locations and expanded our emissions reporting to include our manufacturing plants and part of our Costco Logistics delivery business. Furthermore, our intensity metrics show continual decreases. We are adding square footage as an additional intensity measurement.

COSTCO'S SCOPE 1 AND 2 CARBON EMISSIONS SUMMARY

Total in covered regions	Reported Data			% YoY Increase			Carbon Intensity	
	Sales ¹ (\$MM)	tCO ₂ e (tons)	Square footage of operations ² (MM)	Sales	tCO ₂ e	Square footage	tCO ₂ e per \$M of sales	tCO ₂ e per thousand sq ft
2016 ³	\$109,207	2,250,906	114.5	2.1%	13.4%	4.9%	20.6	19.7
2017 ⁴	\$131,653	2,358,629 ⁵	119.5	12.3% ⁶	4.8% ⁷	4.4%	17.9	19.7
2018 ⁸	\$142,645 ⁹	2,508,419	123.1	8.3%	6.4% ¹⁰	3.1%	17.6	20.4
2019 ¹¹	\$152,794	2,572,206 ¹²	126.3	7.1%	2.5%	2.6%	16.8	20.4
2020	\$170,683	2,663,033	145.9	11.7%	3.5%	15.5%	15.6	18.3
FY21 ¹³	\$192,052	2,647,132 ¹⁴	152.1	12.5% ¹⁵	-0.6%	4.3%	13.8	17.4

(1) Sales are net sales as defined in our 10K and do not include membership income. Although Costco's financial reporting is done on a fiscal year basis, for purposes of CDP reporting, sales have been converted to calendar year for 2016-2020. We revert back to fiscal year accounting in 2021 in accordance with how we changed our reporting time frame for the 2021 CDP report.

(2) Our square-footage number includes all warehouses, distribution centers and logistics facilities, and manufacturing facilities.

(3) Includes the following regions: U.S., Puerto Rico, Canada, Australia, Mexico, Spain and the UK. These tCO₂e numbers have been restated for 2016 to include all refrigerants resulting in an additional 127,481.8 tCO₂e. IPCC reporting guidelines offer a choice to include or exclude HCFC. Costco has revised internal policies to include refrigerants as a more appropriate method of calculating emissions.

(4) Includes the following regions: U.S., Puerto Rico, Canada, Australia, UK, Mexico, Spain, Japan, South Korea, France, Iceland and Taiwan. Costco has refined reporting to include all facilities in all regions and all reportable sources.

(5) Restated to align with CDP reported numbers for the 2017 reporting year.

(6) In 2017, we included all operations worldwide in our calculations. Therefore, the corresponding calculation of year-over-year sales uses 2016 worldwide sales of \$117,223,539.

(7) Updated to 4.8% due to error in previous calculation.

(8) Includes all regions worldwide where we do business, including Scope 1 and 2 for China, which opened for business within the reporting year. Includes Scope 1 and 2 emissions for all manufacturing facilities for the duration they were open in the reporting year, including the Lincoln Premium Poultry plant in Nebraska, U.S.

(9) Restated sales numbers for 2018.

(10) Updated to 6.4% due to error in previous calculation.

(11) Included all regions worldwide where we do business and all manufacturing facilities for the duration they were open in the reporting. This does not include all Costco Logistics facilities and does not include market offsets.

(12) Emissions for 2019 are restated which changes the % increase of CO₂e.

(13) Effective July 2022, we moved to reporting our emissions on a fiscal year basis to align better with our financial reporting. These numbers represent our emissions estimate from August 30th, 2020 to August 29th, 2021.

(14) These numbers were verified by SCS Global in July 2022. Please note that this calculation uses the Location-based methodology to calculate Scope 2 emissions. As reported in our latest CDP Climate Report, our Market-based Scope 2 emissions number is 1,418,244 tCO₂e which is 10,507 tCO₂e less than the Location-based number.

(15) The calculation of year-over-year sales changes and emissions changes uses Calendar Year 2020 compared to Fiscal Year 2021.

Throughout our Sustainability Commitment, you will find numerous references to our practices and operational efficiencies that help minimize our CO₂e emissions, including our efforts stated on our [Energy and Refrigeration](#) page.

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Last Updated: July 2022