

Chemical Management

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



Our Approach

Through our Global Chemical Management Policy, we aim to go beyond regulatory compliance, in an effort to reduce or remove potential chemical harm to consumers, the environment and those who manufacture our items. 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 encourage suppliers to understand the chemicals that are used in their products, supply chains and facilities to:

- Identify chemicals of concern (COCs) utilizing comprehensive testing programs.
- Remove identified COCs or use a safer alternative — a chemical, material, product, process or technology that is less hazardous for humans and the environment than the existing approach.
- Identify ways to change their manufacturing processes to reduce hazardous chemical use.
- Review and obtain qualified third-party certifications.

Our Chemical Management strategy and team is led by our Senior Vice President of Global Sustainability and Compliance who reports to the CEO. Our intent is to continuously review and improve our program on a minimum of an annual basis.

Chemical Testing & The Costco Smart Screening Program

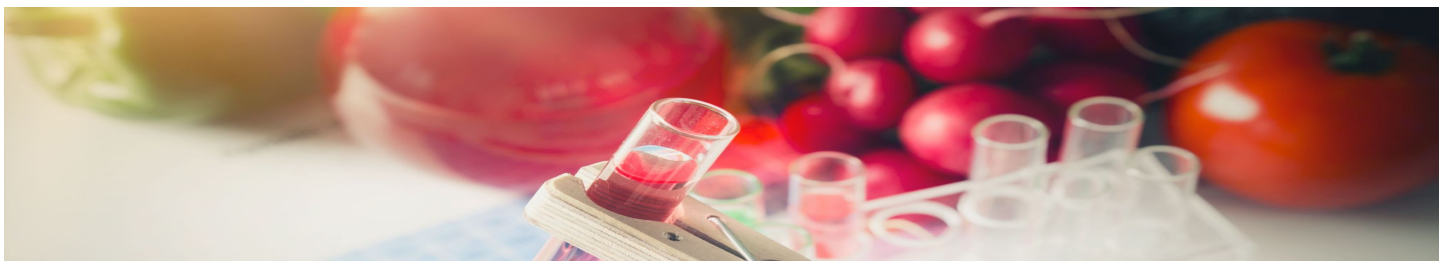
Costco tests many product categories worldwide for the chemicals regulated in the countries where we do business. The product categories include both private label and branded items which are tested annually or when changes are made to a program. Product categories tested include juvenile products, food use, furniture, electrical, apparel and home textiles.

Examples of regulated chemicals that we test for include soluble heavy metals, heavy metals found in surface coating, Substances of Very High Concern (SVHCs), formaldehyde, flame retardants, dyes, phthalates, BPA and PFAS.

We also work with third-party laboratories to identify and test for CoCs that may not be legally prohibited yet. We call this the Costco Smart Screening (CSS) program. These requirements include regulatory, industry and Costco analytical standards.

We cannot test all products with our Smart Screening program. We prioritize assessments for certain product categories. A priority in the Smart Screening program is our Kirkland Signature™ line, including items such as apparel, cleaning products and packaging. Items and packaging within branded categories that may be subjected to the program include apparel, bedding, home textiles, furniture, holiday decor, sporting goods items and products intended for pets. Additional details about some of these categories and products are below.

Costco-approved third-party labs verify item specifications provided by suppliers by carrying out physical testing. These labs 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 for its Smart Screening program. The third-party certifiers aim to provide safe, traceable and sustainable products. Products that have achieved these certifications are not subject to CSS. However, Costco reserves the right to test any product it sources and sells.



Costco Restricted Substances Lists (RSLs)

The Costco Restricted Substances Lists (RSLs) include substances that may or may not be currently regulated for a specific material or product type. These lists include chemicals from EU REACH Substances of Very High Concern (SVHC), California Proposition 65 list, the U.S. Toxic Substances Control Act (TSCA), and the following classes of chemicals:

- Alkylphenols (APs) & Alkylphenol Ethoxylates (APEOs)
- Allergic, Carcinogenic, Disperse and Other Dyes
- Asbestos
- AZO Dyes
- Bisphenols
- Chlorinated Paraffins
- Chlorobenzenes and Chlorotoluenes
- Chlorophenols
- Dimethyl fumarate (DMFu)
- Flame Retardants
- Formaldehyde
- Heavy Metals
- Nitrosamines
- Organotin Compounds
- Polycyclic aromatic hydrocarbons (PAH)
- Per- and polyfluoroalkyl substances (PFAS)
- Phthalates
- Solvents & Residuals
- UV Absorbers / Stabilizers
- Volatile Organic Compounds (VOCs)

The RSLs are applicable to both Kirkland Signature and branded products for Costco and are regularly updated to keep up with global regulatory chemical restrictions in consumer products. Costco may also request suppliers to disclose if specific chemicals of concern are intentionally added to items. Here are the lists by category¹:

- [Apparel & Textiles Restricted Substance List](#)
- [Cleaning & Beauty Aid Restricted Substance List](#)
- [Disposable Baby Diapers Restricted Substance List](#)
- [Disposable Baby Wipes Restricted Substance List](#)
- [Furniture & Hard Goods Restricted Substance List](#)
- [Luggage & Bags Restricted Substance List](#)
- [Packaging Restricted Substance List](#)

Over the years, the Costco Smart Screening Program has tested an increasing number of 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.

The packaging RSL in particular has seen an expansion of scope in both types of chemicals and materials that are tested. In earlier years some materials were not screened.

¹RSLs not shown here may be used when deemed appropriate by Costco.

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 Costco and applied 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 can be found at the [AFIRM Group website](#).

Costco encourages its textile suppliers to implement the Zero Discharge of Hazardous Chemicals (ZDHC) [Manufacturing Restricted Substance List \(MRSL\)](#). The ZDHC MRSL assists factories in protecting workers, creating safe products for our members and eliminating chemicals that are harmful to the planet.

Some examples of other third-party certification programs for both Kirkland Signature and brands 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](#).
- OEKO-TEX® STANDARD 100 assesses over 1,000 harmful substances. Labeled textile products – and each of their components – have been independently tested and certified. More information can be found on the [OEKO-TEX® STANDARD 100 website](#).
- OEKO-TEX® LEATHER STANDARD is a testing and certification system to protect consumer health from harmful substances in leather. More information can be found on the [OEKO-TEX® LEATHER STANDARD website](#).

	FY21	FY22	FY23	FY24
% Increase in OEKO-TEX® Certifications for Costco products (year over year)	12%	37%	-3%	43.5%



Measuring Chemicals in Products & Packaging

Costco measures suppliers' compliance with our policies by testing products for COCs using different RSLs, depending on product or article material. Currently we are screening many of our products and their packaging, following our prioritization process for product category selection. 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 to remove or replace the concerning chemical.

Reports are provided for suppliers summarizing CSS results against their results in previous years. These allow suppliers to investigate any concerning chemicals within 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.

Summary of Costco Smart Screening Results

Measure of Chemicals of Concern (COC)	FY21	FY22	FY23	FY24
The number of Costco Smart Screening (CSS) reports managed by Costco	6,708	8,458	6,988	9,222
CSS results with NO COCs (Lab report for product and packaging)	81.2%	79.4%	81%	88.5%
CSS reports without COC findings for packaging ¹	92.6%	90.8%	88.3%	94.7%

¹ Past report calculations included extra failing reports that were not applicable and this reduced the total passing report percentage. Numbers for FY21 and FY23 have been updated to reflect this recalculation.

Chemicals Used in Agriculture & Horticulture

Strategy, Training & Education

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

- Suppliers are encouraged to limit the use of non-essential chemicals, utilize eco-friendly methods of pest and disease control and incorporate Integrated Pest Management 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. Details can be found in “Environmental Impacts & Land Stewardship” in our [Merchandising section](#).

Partnering with our suppliers to support development of their chemical management programs for their supply chain, we provide suppliers with Costco RSLs, Costco Smart Screening results, Good Manufacturing facility audits results and the Costco Smart Screening guide to help them source 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 worked with Dr. Sally Edwards and Dr. Ann Blake, industry expert consultants, to review our chemical management program and 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 globally educate our buyers and suppliers annually on the process, expectations and their testing progress by providing them with alternative resources, third-party certification programs and third-party lab testing services.
- The Costco Smart Screening Program provides information for suppliers on acceptable replacement chemicals and processes within [The Costco Smart Screening Guide](#).