

Packaging

Packaging is a complex aspect of our business that has many components, including concerns about plastic waste in landfills and the oceans, the need for more uniform waste collection programs, the need for better recycling infrastructure, and the inconsistency of laws and regulations.



Our Packaging Approach

We strive to reduce our packaging waste by improving our efficiencies, with the added benefit of reducing expenses. Packaging plays an important role in the delivery of goods. Packaging must protect the product, ensure it provides shelf life benefits, contribute to efficient logistics and distribution, comply with laws and regulations, and communicate effectively with our members, all without compromising on food safety, product quality, or product sales.

We carefully evaluate and test potential solutions to understand our packaging impacts through data, Life Cycle Assessments (LCAs) and testing, all the while confirming that the product integrity will be maintained. There is no perfect package; there will always be trade-offs needed when determining the right solution for any given package.

This past year we have been able to expand and improve our packaging plan due to the improved data we have received from our suppliers. This data gives us the ability to find ways to leverage the data into packaging improvements.

Our Packaging Plan

While our focus is on our Kirkland Signature™ products, many of our branded suppliers are taking similar steps to help implement our plan. This plan is based upon the Six Rights of Packaging Sustainability that puts an emphasis on redesigning packaging to reduce plastic use, increasing post-consumer recycled content (PCR) to reduce virgin plastic, right-sizing packaging to reduce excessive space and promoting consumer education through labeling for recycling.

The *Six Rights of Packaging Sustainability* are:

- The right reduction
- The right amount of post consumer recycled content (PCR)
- The right fiber: tree-free or certified forest content
- The right recyclable packaging
- The right certified compostable packaging
- The right labeling

Our Six Rights of Packaging Sustainability and our packaging guidelines have been shared with our suppliers at our annual Supplier Day event with the intent of providing guidance on how to implement this packaging plan.

Kirkland Signature Packaging Strategy

With our initial focus on our Kirkland Signature packaging, we are continuing to grow and refine our strategy as follows:

Improving packaging data

Costco's packaging data collection survey identifies and accounts for the specific materials used in all packaging components for our Kirkland Signature products. Suppliers assist us in collecting this information for the purposes of developing comprehensive strategies and to identify areas of improvement. In fiscal year (FY) 2024, we expanded our data collection scope to include in-house packaged goods from our Fresh Departments. Each year, we continue to improve our packaging data based on supplier input.

Leveraging Individual Packaging Analysis

Using the packaging data, a packaging configuration undergoes an individual evaluation in order to assess its components (Individual Packaging Analysis). This evaluation will help determine whether each component is essential or if it can be replaced with an alternative material that does not increase environmental impact, as validated by our LCAs. Additionally, each component will be assessed using its emissions factor formula to gauge its actual carbon impact. The insights from this analysis will be used by the buying team to identify areas of continuous improvement.

Promoting opportunities to build in circularity

We continue to explore opportunities to promote circularity by focusing on designing for recycling and recovery. This work includes ensuring the packaging we select is recyclable on a widespread basis as well as finding a way to utilize our own recovered materials in new packaging or products (either for Costco or in collaboration with suppliers). An example of our focus on circularity is our pallet wrap collection program in our daily operations. We collect our stretch wrap and provide it to our Kirkland Signature trash bag supplier to incorporate the recovered plastic into the manufacturing of trash bags. This helps reduce our use of virgin plastic in our products.

Collaborating with the industry to make widespread improvements

We recognize that to make significant change, collaboration on a broad scale is necessary. We engage with a variety of respected industry organizations such as the Sustainable Packaging Coalition (SPC), the Recycling Partnership, the Association of Plastic Recyclers, the Biodegradable Products Institute and the Packaging Association of Canada. These organizations help us stay up to date on the latest innovations in sustainable packaging and circularity. A recent example is innovating around using pressed paper as a replacement for plastic carrier handles.

Educating our employees, members and suppliers

Teaching is a fundamental part of every initiative. We work with our buyers to provide visibility into the packaging analyses of their items, coaching them through opportunities for improvement.

We also publish our data internally for our buyers to understand their performance in packaging sustainability. We speak with our suppliers on clear guidelines and expectations for sustainable packaging, and we engage in supplier specific conversations to provide feedback on proposed ideas. And lastly, we openly share our packaging progress in places like the Sustainability Commitment, our social media channels, and our monthly magazine, *The Costco Connection*.

Our intent is to provide an annual progress update on the Kirkland Signature Packaging Strategy in our Sustainability Commitment.

Reviewing material health

Material health in packaging is reviewed by our Quality Assurance Department. For detailed information on our testing and screening process, see the “Chemical Management” page in the [Merchandising section](#).

U.S. Kirkland Signature Plastic Action Plan

We recognize that our packaging includes plastic which has both positive and negative consequences, giving rise to trade offs. Plastic packaging has many positive benefits that include longer preservation of food, the ability to ship products globally with minimal damage and reduction of transportation emissions and costs, lower weights and designs of packaging. However, as the world has grown, our society’s dependence on plastic is outpacing the solutions for managing it. The resulting challenges include excessive use at times, limited recyclability, fugitive plastic in the environment and plastic in landfills. While all of the Six Rights of Packaging apply to plastic packaging, three of the six rights are prominent: reduction, PCR and recyclability.








After we complete our review of the Individual Packaging Analysis (individual evaluation described above on page 3), we assess the viability of implementing several strategies:

- **Lightweighting/Down-gauging.** We explore opportunities for light-weighting and down-gauging, focusing on reducing plastic use across packaging components. This includes light-weighting to minimize the amount of plastic in rigid containers and down-gauging to decrease the micron thickness in flexible packaging.
- **PCR.** We plan to increase our use of post consumer recycled (PCR) content across various resin types and packaging formats. To support this, we will define clear expectations and timelines for our suppliers, provide them with PCR resources and actively engage with potential partners to help develop PCR content.
- **Recyclability.** We actively look for circularity opportunities to convert non recyclable packaging to widely recyclable.

In FY24, we reduced another 23 million pounds of plastic. Plastic reduction stories can be reviewed [here](#).

Packaging Report

The report below outlines all of Costco U.S.'s own brand, Kirkland Signature's, primary packaging plastic use for FY24.¹

U.S. Kirkland Signature: FY24 Plastic Packaging Report			
Resin Code	Metric Tons	% of Plastic Packaging	% with PCR
	135,438	52.7%	28.8%
	34,416	13.4%	8.0%
	1,767	0.7%	0.0%
	47,379	18.4%	4.0%
	18,042	7.0%	2.6%
	1,970	0.8%	0.0%
	17,806	6.9%	7.4%
Total	256,818	100%	17.7%

¹ Based on supplier provided data.

Using less conserves natural resources while reducing water use, greenhouse gasses and pollution.

Winning Handle Design

In 2021, Costco started working with Smurfit WestRock, a sustainability-focused packaging company, to create several pressed paper versions of plastic carrier handles typically used for bottles and multipacks. These recyclable paper handles are easier to remove than plastic versions, as well as designed for durability and comfort. Changing our handles resulted in a reduction of 339,000 pounds of plastic annually. The Kirkland Signature Organic Marinara, which leverages the new paper carrier handle, was recognized at the 2024 PAC Global Awards in the “Sustainable Package Design” category. Additionally, in 2024, the design won a similar award at the European Carton Excellence Award for Food and Drink Packaging. When it makes sense, this design will be leveraged in other Costco products.





The Right Amount of PCR

Recycled content use creates needed demand for recycled materials.²

Our goal is to optimize recycled content for all packaging. When we use recycled materials across the spectrum of our packaging, we support circularity by creating demand for those products. Additional benefits can include reduced energy consumption, diversion from landfills and lower carbon impacts.

In FY24, we continued our work to increase the amount of recycled content in our packaging. The result of those efforts was an increase of 9 million pounds of RPET and an additional 21 million pounds of recycled paper content across Kirkland Signature items.

FY24 Recycled Content Success Stories

Country	Description
United States	Multiple Kirkland Signature Trash Bag items changed from 0% to 20% recycled content.
Canada	Costco Pharmacy bags moved from 0% to 100% recycled content.
United States	Kirkland Signature Bath Tissue inner wrap plastic packaging increased from 0% to 10% recycled content.
Canada	Kirkland Signature Apparel size strips went from 0% to 100% recycled content.

The list above represents a small sample of the many packaging components that now contain recycled content. Additionally, we continue to support previously reported recycled content accomplishments from years past, such as Ecommerce shipping boxes, Food Court pizza boxes and multiple beverage containers. Over the past several years, we have incorporated recycled content¹ in all materials, paper, metal, plastic and glass, in over 800 Kirkland Signature product packages.

¹ Based on supplier reported data

² As used herein, the term “recycled content” is based on supplier-reported data and may contain a mix of post-consumer and post-industrial recycled content.



The Right Fiber: Tree-Free or Certified Forest Product

Responsible forestry supports biodiversity and carbon sequestration, and water and air quality.

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/or 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.

More information about Costco's deforestation goals can be found on the "Nature & Biodiversity" page in the [Merchandising section](#).

Recycling conserves natural resources and reduces pollution.

Using recyclable packaging is critical to creating a supply of recycled materials. Recycling promotes a circular process where materials can be used more than once before reaching the end of life, which helps preserve natural resources.

We rely on regulatory guidance of the regions where we do business to define recyclable packaging, which includes parameters such as materials and structure, access to recycling services and active end markets. Costco also utilizes the expertise of many industry organizations to provide guidance in recyclability, provide labeling evaluations to properly inform our members and provide insight into upcoming solutions, regulations and opportunities to collaborate.



The Right Recyclable Packaging



Member Organizations



How2Recycle



**SUSTAINABLE PACKAGING
COALITION**



**RETAIL INDUSTRY
LEADERS ASSOCIATION**



**The Association of
Plastic Recyclers**



PAC Global



**The Recycling
Partnership**
SOLVING FOR CIRCULARITY



The Right Certified Compostable Packaging

Composting puts valuable nutrients back into our soils.

Compostable packaging offers an option for packaging that can't easily be recycled. A successful compostable packaging program relies on access to industrial composting services. In the Food Courts of our warehouses where those services are available, we're transitioning to compostable food service packaging in phases as we seek to learn the most effective options while responding to member feedback. 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 Right Labeling

Labeling facilitates proper sortation and reduces contamination of the recycling stream.

We want our members to know how to properly recycle, compost or dispose of packaging. If appropriate or legally mandated, we also want to communicate recycled content used in the packaging materials.

Costco uses many different labeling schemes worldwide, in our initiative to label our Kirkland Signature packaging with the appropriate regional guidance. It is our intent to label all of our private-label consumer packaging with the proper recycling information.

This past year we have increased our How2Recycle® labeling to over 56% from 35% of our U.S. Kirkland Signature items. We now have over 900 products labeled with the How2Recycle system.

We continue to aggressively expand our labeling efforts in all of our regions, engaging in material evaluations and local regulatory requirements to better understand the global differences in recycle collection, and how best to serve our members.

Labeling Clarity Efforts in Mexico

In 2023, Costco’s sustainability team in Mexico created a new labeling program called Recicla-Tips to provide members with easy to understand, accurate information about recycling on the packaging material, making the labels color-coded to indicate recyclability. They include the type of material used in the packaging, such as aluminum, along with instructions on how to prepare the package for recycling. These labels are on select Kirkland Signature items, with plans to add other products to the program over time.



In order to facilitate messaging recyclability to members, all recycling labeling solution will have stop light labeling incorporated.

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STOP LIGHT LABELING

The stop light color is assigned based off a combination of post consumption and available collection in Mexico.

<p>GREEN</p> <p>Biodegradable materials under environmental conditions; it is widely recyclable in Mexico.</p>	<p>AMBER</p> <p>Materials that are compostable or only recyclable in certain conditions or locations.</p>	<p>RED</p> <p>is not recyclable and recommended to change materials if possible.</p>
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FAQs & Archived Reports

For more information on packaging, please review our [Packaging FAQs](#).

Please see below for archived reports:

- [Reduction Archives | 2019-2023](#)
- [Recycled Content Archives | 2019-2023](#)
- [Recyclability/Compostability Archives | 2019-2022](#)