

Sustainability Commitment 2024

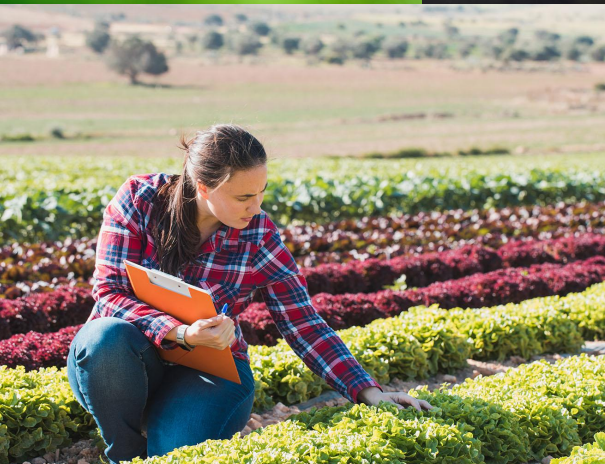
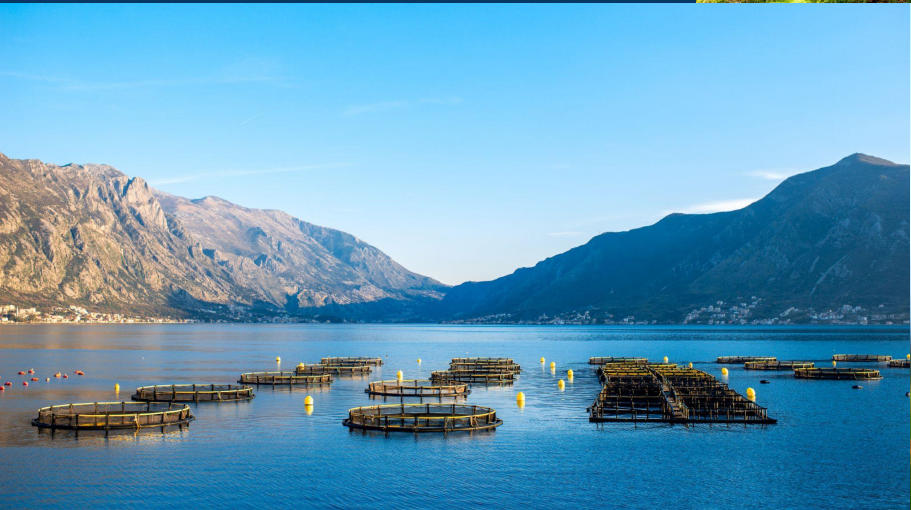


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Our Commitment

As we wrap up 2024, we reflect on the progress we've made along our sustainability journey. It's been a busy year and in this year's Sustainability Commitment update, you'll find updates on our progress and details on the efforts we're taking to achieve our sustainability goals. We cover information from our latest fiscal year, which ended September 1, 2024 (FY24).

We have continued to grow globally, reaching more than 890 warehouses around the world. Consequently, we recognize the importance of continuing our work towards a more sustainable future for our members, employees, suppliers, shareholders, communities and the environment. We've also seen an evolving regulatory landscape and believe that our work in sustainability will help us prepare for these changes. We've learned a lot in the past year and are happy to share some of the key highlights:

Our Climate Action Plan: We continue to work towards our Scope 1, 2 and 3 emissions goals through executing on our Climate Action Plan. In particular, we have focused FY24 on 1) educating our employees and supply chain, 2) improving the way we measure, report and verify our climate-related information, and 3) testing new ideas and scaling those that have proven viable and effective. Highlights this year include launching our Scope 3 "STEP" (Supplier Targets, Transition Agriculture, Energy Solutions and Packaging Solutions) program with our buying teams to work on Scope 3 initiatives, increasing the percent of clean energy powering our global operations to 21% of our global purchased electricity, and rebaselining our Scope 3 data to be more comprehensive and accurate.

People & Communities: We continue to focus on taking care of our people and communities in which we operate, which consists of inclusion and development initiatives for our employees and charitable giving to our communities. Notable accomplishments this year include expanding our Workforce Dashboard beyond the U.S. to help our operators better understand and invest in their workforce, expanding our Supervisor in Training (SIT) program into Canada, and donating over \$84 million to local charities and over 177 million meals. We also continue to support minority-owned suppliers through our supplier inclusion efforts.

Operations: We continue to build on our STAR (Sustainability Technical Assistance Review) program to minimize water, waste, energy and emissions in our warehouses, and to meet environmental compliance obligations. This year, we introduced ENERGY STAR benchmarking to our STAR program, which helps our warehouse locations compare against similar buildings and learn about potential energy-saving opportunities. We also continuously seek ways to improve resource efficiency across our global operations, such as minimizing our water usage and prioritizing materials with recycled content where possible in the construction of new warehouses. Additionally, we've made progress towards using more renewable diesel in our California depot and business center fleets, replacing over 7 million gallons of diesel with renewable diesel. We installed 13 additional CO2-based refrigeration systems and expanded our onsite generation capabilities at our Mira Loma, California depot. We continue to see progress as our sustainability and operations teams collaborate closely.

Merchandising: Our six question framework has laid the foundation for our work on sustainability initiatives throughout our supply chain. In FY24, we focused on improving our performance across all six questions at an item level, engaging suppliers directly to encourage action and target-setting through platforms like CDP, piloting regenerative agriculture investments with partners, prioritizing human rights efforts through working with partners such as Equitable Food Initiative (EFI), CIERTO, and the Seafood Task Force (STF), and driving forward our commitment to the welfare and proper handling of animals. We recognize that our work on merchandising sustainability requires action at the item, supplier and industry levels.

In summary, we continue to make strides towards our sustainability goals and to collaborate across multiple business units to make progress. We are committed to continuous improvement as we pursue this journey to help our world thrive. We appreciate the support of our employees, suppliers, members and the communities and welcome their feedback as we evolve.



Ron Vachris
Chief Executive Officer



Inclusion



Our Code of Ethics guides our commitment to take care of our employees. This section describes the steps we take to promote an inclusive workplace in all areas of our business.



Our Goals for an Inclusive Workplace

We strive to:

- Empower our workforce and strengthen our culture by creating an environment where all employees feel a sense of belonging — that they are accepted, included, respected and valued for who they are.
- Demonstrate leadership commitment to equity through consistent communication, education and support of diversity and inclusion initiatives within the organization.

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 other protected status.

Costco's philosophy of creating an inclusive and respectful workplace is part of our goal 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. We have taken several steps to support these goals:

- **Inclusive Community.** Costco's commitment to its members, employees and suppliers is built on four pillars: Inclusion, Employee Development, Communities and Supplier Inclusion. The role of the company's Chief Diversity Officer (CDO) is to support the advancement of inclusion at Costco, the growth of a diverse employee base, our relationships in the communities where we do business and an increase in our base of diverse suppliers. In Fiscal Year (FY) 2023 we continued our efforts in diversity by combining several departments — Diversity & Inclusion, Community Relations, Journeys for All and Supplier Diversity — under one team. This combined team is known as the Inclusive Community. Its focus is to support Costco's DEI strategy among employees, communities and suppliers.
- **Workforce Dashboard.** In FY22, Costco began developing a tool to help our operators become better acquainted with the workforce in their locations. This dashboard tool was launched in July 2023 in all locations in the U.S. and in FY24, was expanded to Costco Logistics and Canada locations. This resource can help us continue to grow our legacy by investing in our talented workforce.
- **Supervisor in Training.** Costco continued its commitment to employee development through the Supervisor in Training Program (SIT). In FY24, in the U.S. we had over 7,000 employees complete the SIT course. This course invites employees from all backgrounds to get an idea of being a supervisor in a specific area within the business. Out of those who participated, 58.3% were male, 41.7% were female and 57.3% identified as People of Color. We also held the SIT training program in Canada, with over 750 employees completing the course: 46.4% were male, 52.4% were female and 1.2% were undisclosed.

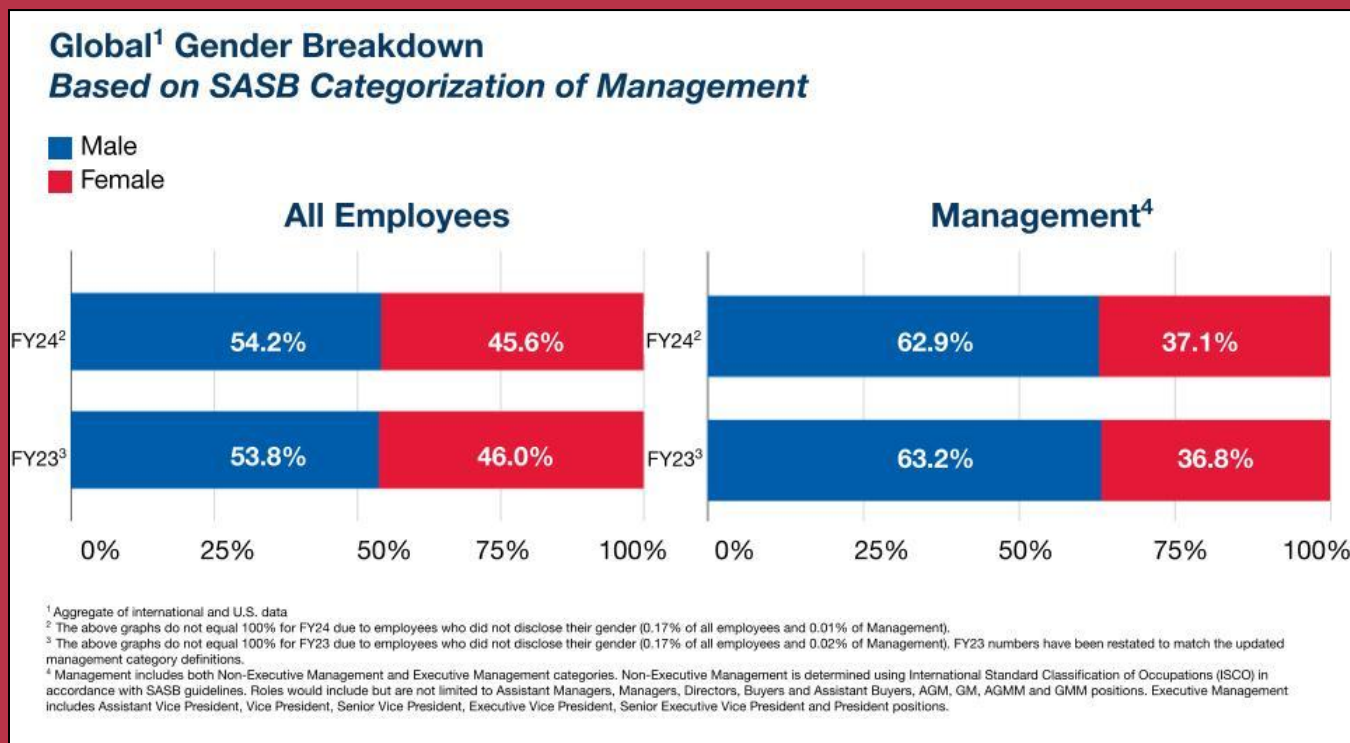
Diversity at Costco

- Inclusive Conversations.** In FY20, Costco launched 10 modules of conversations to encourage leaders and employees to engage in inclusive conversations. In FY24, the Inclusion Committee added new content to these conversations, including content on how to connect across differences, manage assumptions and make people feel heard.

Our workforce is representative of the communities where we do business. We closely monitor demographic data at all levels across the organization.

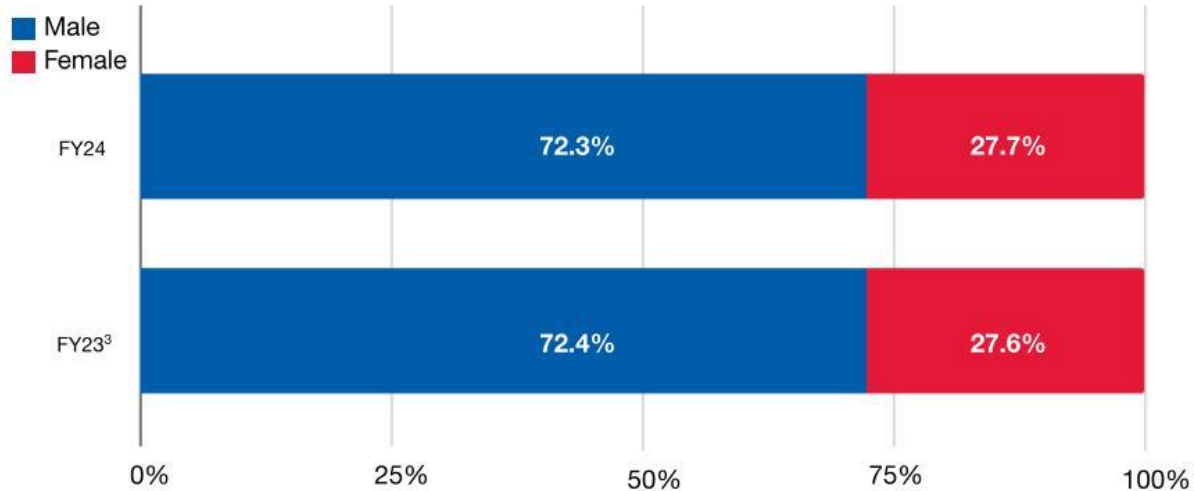
Global Gender Breakdown - FY24 vs. FY23

Take a look below, on page 4 and page 5 at our global gender and U.S. race / ethnicity demographic reports for FY24.



U.S. Executive Gender Breakdown - FY24 vs. FY23

**U.S.¹ Executive Management² Gender Breakdown
Aligned with SASB Categorization of Management**



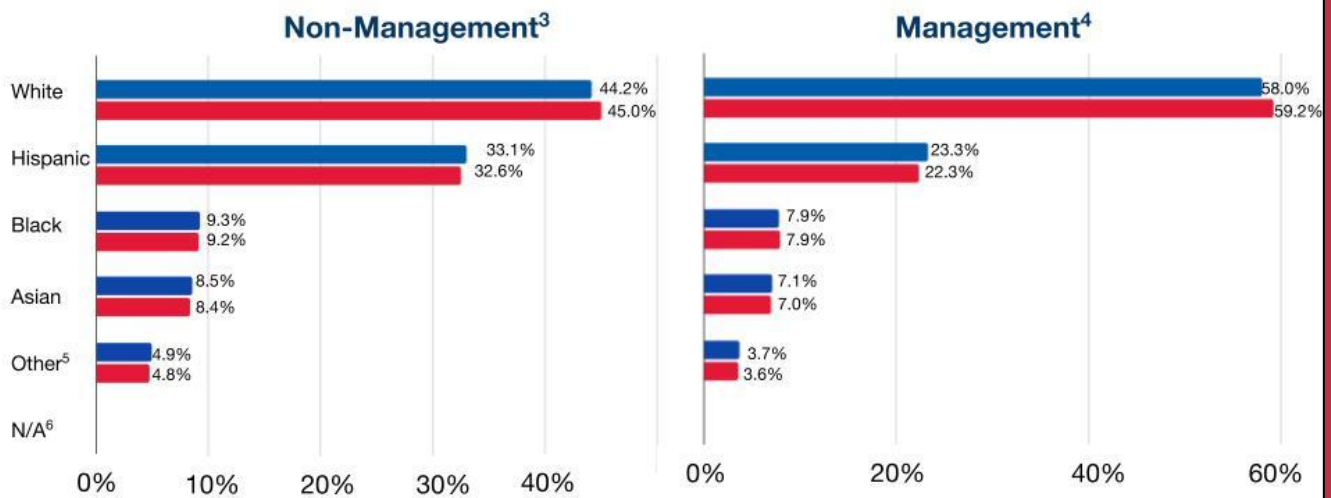
¹ All U.S. states in which Costco operates and Puerto Rico.

² Executive Management includes Assistant Vice President, Vice President, Senior Vice President, Executive Vice President, Senior Executive Vice President and President positions.

³ FY23 numbers have been restated to match the updated management category definitions.

U.S. Race / Ethnicity - FY24 vs. FY23

U.S.¹ Race / Ethnicity Demographics



¹ All U.S. states in which Costco operates and Puerto Rico.

² FY23 numbers have been restated to match the updated management category definitions.

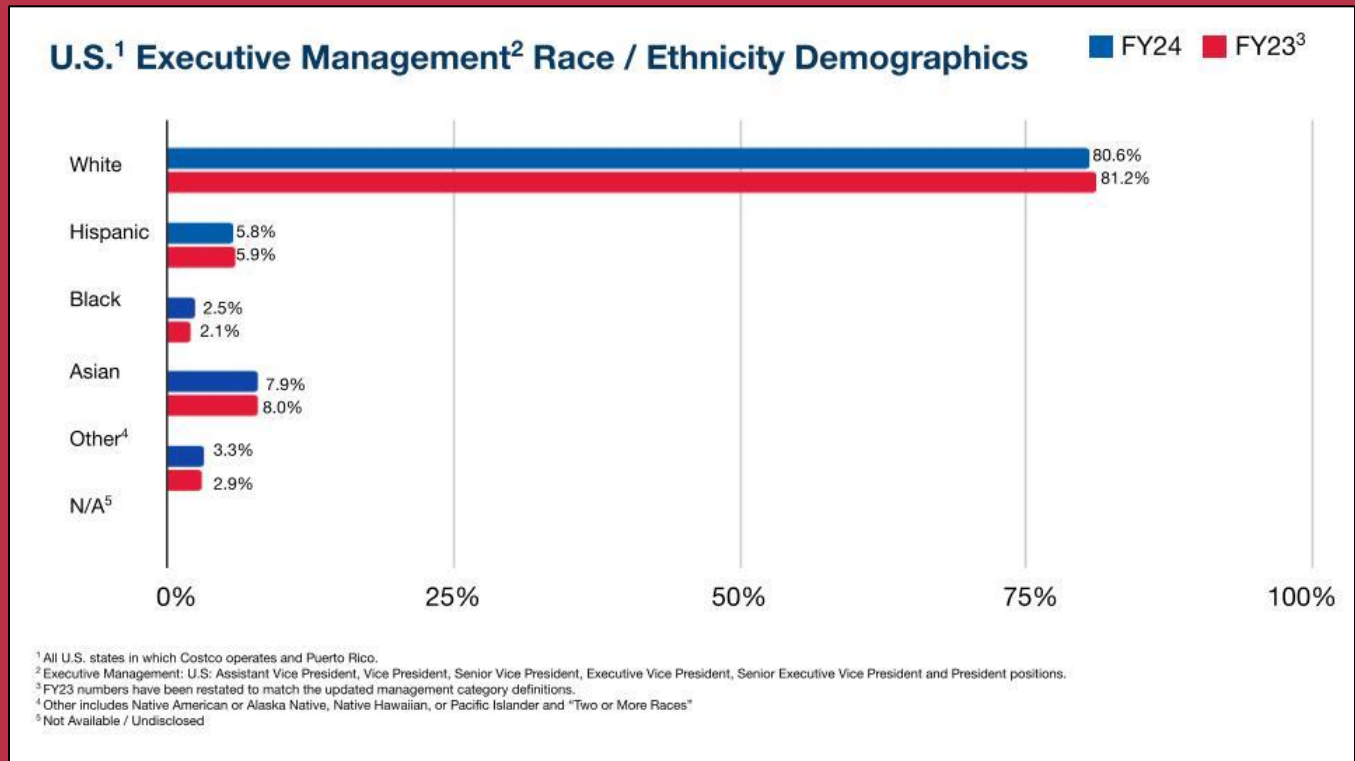
³ Roles would include but are not limited to all hourly employees, supervisors (including salaried supervisors) and other central functions.

⁴ Management includes both Non-Executive Management and Executive Management categories. Non-Executive Management is determined using International Standard Classification of Occupations (ISCO) in accordance with SASB guidelines. Roles would include but are not limited to Assistant Managers, Managers, Directors, Buyers and Assistant Buyers, AGM, GM, AGMM and GMM positions. Executive Management includes Assistant Vice President, Vice President, Senior Vice President, Executive Vice President, Senior Executive Vice President and President positions.

⁵ Other includes Native American or Alaska Native, Native Hawaiian, or Pacific Islander and "Two or More Races"

⁶ Not Available / Undisclosed

U.S. Executive Race / Ethnicity - FY24 vs. FY23



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

Our 11-member Board of Directors has four women and one person of color. For the company’s U.S. officers (Assistant Vice President and above), 27.7% identify as women and 19.4% identify as a race or ethnicity other than White.

More information about our diversity efforts within our communities can be found on the “Communities” page in the [People & Communities section](#). See more about how we work with diverse suppliers on the “Supplier Inclusion” page in the [People & Communities section](#).

Employee Development



***Taking care of our employees is part of our Code of Ethics.
A satisfied, challenged and respected workforce is
the foundation of our success.***



Employee Development Goals

When it comes to employee development, our goals are to:

- Provide all employees with training, education and opportunities for career development and advancement.
- Ensure there is fair access and resources to help employees succeed.
- Encourage leaders to continue to teach and mentor employees, so that employees will be prepared for opportunities and greater responsibility.
- Encourage employees to take advantage of opportunities for development and advancement.

Pay & 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. Considering our combination of higher than average wages and low benefit premiums, we compensate these hourly employees well by retail standards. This is especially true as their tenure and responsibilities grow — with regularly scheduled pay increases and additional compensation. 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 for 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 bonuses, which we refer to as Extra Checks, for most tenured hourly employees. We believe that 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 minimum 50% full-time ratio at each facility, guarantees of minimum scheduled hours and weekly schedules posted at least two weeks in advance.

Our worldwide policies and practices are designed to mirror our practice in the U.S. regarding compensation leadership, 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. Although many salaried employees might find higher compensation or better perks at other companies, our retention rates, particularly for longer-term Costco employees, are very strong. 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.

Mental & Emotional Health Benefits

Costco provides programs and resources to support our employees' mental and emotional well-being. Our programs assist employees in coping with stress and anxiety, relationship and family challenges, substance misuse and difficult mental health conditions. Employees can receive care from a counselor, psychologist or psychiatrist in an office or, if appropriate, connect with a clinician by phone or via video chat. Office visits and inpatient treatment for behavioral health conditions are covered the same as any other medical services. We also ensure that our managers are educated and able to direct their employees to these resources as needed.



Workforce Tenure & Development

In the U.S., our employees average over nine years of service; 54% of U.S. employees have five or more years, and 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. In the U.S., we have over 15,000 employees with 25 or more years of Costco service. We feel that the experience level and loyalty of our employees are great assets.

A related advantage comes from our philosophy and practice of promoting from within our employee ranks. We are proud of the fact that the majority 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.

Here's a look at other programs created to help employees succeed and grow at Costco:

Student Retention Programs. These programs, available worldwide, allow our warehouse employees to maintain their employment status while attending college.

Journeys For All. This voluntary program offers all employees opportunities to succeed through education, mentoring and connection.

Supervisor in Training (SIT). SIT offers a way for warehouse, depot and Costco Business Center employees to get a foot in the door for future management opportunities. Employees can sign up for training in an area of the business they would like to pursue. We also updated and expanded the opportunities within SIT for hourly employees, resulting in a larger candidate pool.

Merchandising Training Course. We have a 12-week program designed to provide supervisor-level merchandising training to warehouse management without merchandising experience. Merchandising is an important element of the competencies required of a warehouse general manager, a key position at Costco.

Program Spotlight: Costco Careers

This recruiting program was created to draw talent from our warehouses, depots and other operational units for positions in the home and regional offices. The program educates employees on the roles and career opportunities in corporate departments. We believe that bringing different perspectives, as well as operational knowledge, into our home and regional offices is good for both our business and employees.



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 globally. We encourage and support 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 the 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.

As a measurement of engagement, Costco conducts a global employee engagement survey every two years to obtain feedback concerning ethics, compliance and engagement. Survey results have indicated a high level of satisfaction by employees with their work environment. The most recent survey was completed in 2024 and continued to show strong engagement scores compared to the retail industry benchmark. The next survey is slated for 2026. In alternate years between engagement surveys, we conduct Costco Connects sessions with employees across our global operations to continue our commitment to hear directly from employees in small group settings regarding personal and professional issues that matter the most to them. Where there are opportunities for improved engagement, Costco leadership is committed to taking action in those areas.

Communities

Our business is successful not only when we provide quality merchandise at a good value for our members, but also when we contribute to the well-being of the communities where we do business – and where our employees, members and suppliers live and work. We work to achieve this through charitable contributions, volunteer work and low-cost health services in our warehouses.



Our Approach

As we operate in communities around the world, our goals are to:

- Provide an inclusive shopping environment for our members and support our local communities through charitable giving and service.
- In our charitable contributions, give special focus to those organizations that serve underrepresented groups in our communities.
- Invest in key programs that make a difference in communities.
- Encourage employees to serve and participate with community organizations.

Charitable Contributions

Costco is committed to being active and supportive in our local communities. We budget 1% of pretax profits for selected charitable contributions focused on children, education, and health and human services. Our Charitable Contributions Committee meets quarterly to determine which programs to support and how to best meet the needs within our communities. We have a particular interest in organizations that serve historically underrepresented groups in our communities.

In fiscal year (FY) 2024, we contributed over \$84 million to hundreds of organizations through a variety of charitable programs and grants. Examples include American Red Cross, 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 FY24](#).

For the past 40 years, Costco employees have participated in a Workplace Giving Campaign during the month of October. Employees are encouraged to contribute to organizations that support local community programs to help with issues such as homelessness, poverty, disaster relief, education, animal welfare and so much more. Over the life of this program, our employees have supported over 50,000 charities and donations have totaled over \$468 million, including company matching funds. Costco recently increased the company match from 60% to 70% for our 2024 Workplace Giving campaign to make an even greater impact with organizations that matter to our employees.

In 2024, Costco raised \$48.9 million dollars in the U.S. and Canada during our annual member drive for the Children's Miracle Network Hospitals. These funds help support research, equipment, training, uncompensated care and more.

Costco also has a company-wide backpack program that provides backpacks to elementary school children. Each of our warehouse locations partner with a local elementary school in their community. In 2024, we donated 409,984 units and since the program's inception 32 years ago, we have donated over 8.4 million backpacks to local communities.

We provide financial assistance for underrepresented students, including scholarships and other educational opportunities to help fill the financial gap. For example:

- In the past 24 years, we've raised over \$82 million through the Costco Scholarship Fund for scholarships for underrepresented students to attend the University of Washington or Seattle University; over 2,600 scholarships have been awarded.

Community Investment

- We've donated over \$75 million to other schools and organizations for scholarships and educational opportunities for underrepresented students. In 2024 alone, we donated over \$12 million for scholarships and other educational opportunities.
- We helped establish and have donated more than \$13.5 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](#).

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:

Community Investments in FY24

\$3 million committed to the [Inclusiv Impact Deposits Fund](#), which invests in the Minority Depository Institution (MDI) and the Community Development Financial Institution (CDFI) credit unions to expand economic opportunities in historically redlined and disadvantaged communities. Costco's deposit will benefit more than 350,000 homeowners, small business owners, and households across the U.S. by helping twelve high-impact credit unions grow their affordable financial services and responsible lending.



\$25 million committed to the [Black Economic Development Fund \(BEDF\)](#), managed by the Local Initiatives Support Corporation (LISC) Strategic Investments team. 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.

Black
Economic
Development
Fund

\$25 million committed to the [BlackRock Impact Opportunities Fund \(BIO\)](#). BIO aims to accelerate positive economic outcomes and create collective wealth for undercapitalized racial and ethnic groups within the United States with a focus on housing, financial inclusion, education, healthcare and digital connectivity.

BlackRock

Community Investments in FY24 (continued)

\$10 million committed to the [Entrepreneurs of Color Loan Fund \(EOCLF\)](#) managed by Local Initiatives Support Corporation (LISC) Fund Management. EOCLF partners with Community Development Financial Institutions to improve capital access for diverse businesses by increasing the volume of loans for businesses owned and/or led by racial and/or ethnic minority entrepreneurs.



\$5 total million committed to the [Fearless Fund](#) and the [Fearless Fund II](#), the first Venture Capital funds built by women of color, to bridge the gap for women of color businesses to access venture capital funding and provide them with the necessary support and resources.



\$5 million committed to the [HBCU \(Historically Black College and University\) Founders Fund](#), a \$40 million venture accelerator fund investing in the most promising startups where at least one founder is an HBCU student, alumni or faculty.



Food Donations & Food Security

Our goal is to donate to the communities where we operate to support those in need, and we do so in several ways.

In FY24, we contributed \$8.5 million in cash grants and over 138 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 efforts. We follow the Wasted Food Scale to prevent wasting food and keep it out of landfills. For details, see the “Minimizing Waste” page in the [Operations section](#).

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. These goods go to people in countries around the world. More information can be found in the [Costco-World Vision Summary](#), which contains a list of the items donated and stories that illustrate the impact of these donations.

Employee Volunteering

The mission of the Costco Volunteer Center is to inspire our employees and their families to volunteer in the communities where they live and work. Watch this [United Way video](#) to learn more about how Costco employees engage with the community.

Employee Volunteers: Reading Buddies

Costco's Volunteer Reading Buddies Program, which is celebrating its 25th year, is in more than 500 warehouses in the U.S., Canada, Australia and Mexico. Over 3,000 volunteers contribute their time to this successful program.



Health Care in the Community

Costco offers 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 offers flu shots, other immunizations and other health-related programs. We are continuing to provide COVID-19 support by offering vaccines as referenced below.

Pharmacy Services

Besides being a low-cost source for prescription medications in our warehouses where we offer pharmacies worldwide, Costco offers 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 states around the country and Puerto Rico. Naloxone is a life-saving medication that reverses an opioid overdose.
- Prescribing contraceptives in Arkansas, California, Colorado, Hawaii, Idaho, Illinois, Indiana, Maryland, Michigan, Minnesota, Montana, Nevada, New Hampshire, New Mexico, North Carolina, Oregon, South Carolina, Tennessee, Utah, Vermont, Virginia and Washington, with the intent to roll out the program where allowed by law.
- Travel Medicine Services in Alaska, Alabama, Arizona, California, Colorado, Delaware, Florida, Hawaii, Idaho, Illinois, Maryland, Montana, Nevada, New Hampshire, New Mexico, New Jersey, Oklahoma, Oregon, Texas, Virginia, 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.
- Since the start of the U.S. COVID vaccine campaign, Costco Pharmacies have given over 4.8 million vaccines to date, including partnering with school districts and organizations.



Pharmacy Benefit Programs (PBM)

Costco Health Solutions (CHS) offers an alternative prescription benefits program dedicated to delivering the best pharmacy care to employers and their employees. This includes cost-effective, high-quality clinical programs that provide CHS members with care 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 employer. 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

Along with being a low-cost source for eyewear in our 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 hearing aid centers in most warehouses 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 more than 1,600 people in the U.S. become hearing aid specialists since 2006.

Supplier Inclusion

Working with qualified suppliers in the communities where we do business is consistent with our overall commitment as a company to foster an inclusive environment. Our buyers work closely with these small businesses to get their products into Costco.

10 REDUCED INEQUALITIES



Supplier Inclusion Goals

Specifically, our goals around supplier inclusion are to:

- Work with qualified small and diverse suppliers in our communities to provide greater opportunities to do business with Costco.
- Partner with community organizations to identify qualified diverse suppliers to support our business.

Diversity in Costco's Product Line

Since 2005, Costco's buying teams have worked with small businesses in our Supplier Inclusion program. In the typical scenario, we have featured their products in select regional warehouses or online at Costco.com. These items are a part of our unique "Treasure Hunt" variety of products that complement the everyday essentials at Costco.

Success Stories

Our suppliers provide us with innovative products, from snacks to skin-care solutions. Here are snapshots of a few from the recent past.

Mavens Creamery

Mavens Creamery is on a mission to unite communities and create meaningful experiences that transcend cultural barriers—one scoop of ice cream at a time. “In Vietnamese culture, food serves as a symbol of community, connecting us with our heritage and loved ones. Our experience growing up was no different,” said Gwen, co-founder and CEO. Mavens Creamery’s co-founders, Gwen and Christine, share many fond memories of family dinners, especially when ice cream and Asian sweets were served for dessert. However, in 2014, they discovered a lack of authentic Asian-inspired ice cream flavors and set out to change this.

Mavens Creamery offers a wide range of Asian-inspired ice cream flavors. They focus on quality by using a higher butterfat percentage than average and a higher percentage of fruit. They have also experimented with unique flavors, such as durian, which has been a wild success in the Bay Area.

On their partnership with Costco, Gwen said, “We’ve been really blessed to work with Costco! They played a huge role in the development of durian ice cream and have been very supportive—and excited—about adding more flavors like our avocado ice cream and Tea Collection featuring Thai Tea, Matcha, and Earl Grey!”



simplyFUEL

Mitzi Dulan, RD, CSSD, is a registered dietitian with degrees in both nutrition and exercise science. She believes that life should be fun, and a big part of a fun life is eating delicious and nutritious food with others we love.



In the 2000s, Mitzi became the team sports dietitian for her favorite teams: The Kansas City Chiefs and The Kansas City Royals. In her 10th season with the Kansas City Royals, she decided to make her protein ball recipe for the players, which had previously gone viral on Pinterest. She created the recipe to have the ideal ratio of protein, carbs, and healthy fats, and the players loved them. As a result, these protein balls became featured in local television reporting as the Kansas City Royals began to see success in the MLB playoffs. The requests to buy Mitzi’s protein balls started pouring in, prompting Mitzi to turn her recipe into a business, leading to the creation of simplyFUEL.

From the beginning, Mitzi’s goal was to get her simplyFUEL Protein Balls into Costco. It took her about seven years, but her experience has been a positive one. “Partnering with Costco has been amazing,” said Mitzi, “I can’t overemphasize how phenomenal the people and company have been in helping make the success of simplyFUEL possible.”

Rip Van



Rip's dream of starting a confectionery to sell stroopwafels began in his third year at Brown University. While at university, Rip met his friend and co-founder, Marco. They grew production into a larger factory and expanded distribution to national retailers. In 2017, their factory burned down, forcing them to reflect on the business's purpose. They questioned, "What are we doing for our country, our society, and the planet?" That's when they learned about a sugar problem. Americans typically consume twice the recommended daily sugar limit. "It's a silent killer," said Rip. "If we could invent something to reduce sugar by 50-80%, we could have a meaningful impact."

They developed a low-sugar recipe for their stroopwafels and wafers, maintaining premium quality and cost value with a clean ingredient profile. These products have been highly successful. "Costco has been an important part of achieving our mission. It's been an amazing partnership. We hope to continue providing club members with unique, great tasting & lower-sugar options."

Rip and Marco value diversity and inclusion. Rip's mother is Indian, and he spent a small part of his childhood in India. Marco is Hispanic, with his father from the Dominican Republic and his mother from Brazil. They believe their diverse backgrounds and those of their staff contribute to their success.

Siete Family Foods

Miguel Garza, CEO of Siete Family Foods, knows firsthand the challenges of growing a small business from scratch. There are the typical growing pains, competition in the marketplace and ups and downs of a new business. On top of that, Latino-based businesses tend to receive far less funding — critical to really growing their businesses — than other groups in the U.S. Yet Siete Family Foods has grown from a single product, almond-flour tortillas developed by Miguel's sister Veronica, into a full line of gluten- and dairy-free Mexican American staples available in 16,000 stores, including Costco. And now, the company gives back through the Siete Juntos Fund, offering mentorship and awards to growing Latino food businesses. The awards will total \$2 million over five years. "By providing financial resources to entrepreneurs across the country through our Siete Juntos Fund, our goal is to build a more equitable and prosperous future for businesses and communities to thrive over the next five years—and hopefully, many years to come," says Miguel.



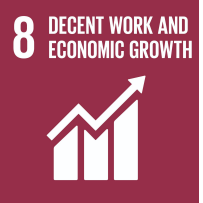
Resources for Suppliers

Are you interested in selling products at Costco or providing a service? Click this [Supplier Inclusion Resource](#) for further details.

Human Rights



Costco is committed to respecting and protecting the human rights, safety and dignity of the people who contribute to the success of our business.



Introduction: Our Commitment to Human Rights

As a retailer with operations, logistics and merchandise supply chains spanning the globe, we recognize the impact we can have on the human rights of individuals directly and indirectly related to our business. We have an obligation and responsibility to do our part.

Our [Human Rights Statement](#) outlines our commitment to respect human rights, which is reinforced by the following policies:

- [Code of Ethics](#)
- [Open Door Policy](#)
- Anti-Harassment Policy
- Anti-Retaliation Policy
- [Supplier Code of Conduct](#)
- [Palm Oil Policy](#)
- [Conflict Minerals Policy](#)

Costco is focused on aligning our work with the [United Nations Guiding Principles \(UNGPs\) on Business and Human Rights](#). This section provides an update on our ongoing efforts to strengthen our human rights work across our operations and in our supply chain.

Salient Human Rights Risks

In FY23, we partnered with [LRQA](#) to conduct a salient human rights risk assessment, which included but was not limited to feedback from internal and external stakeholders and a review of various risk data sources. From this work, we identified the five most salient human rights risks related to our business:

- Child Labor and Young Workers
- Forced Labor and Exploitation of Migrant Workers
- Discrimination and Inequality (including gender-based discrimination)
- Concerns to Indigenous Peoples' and Community Land Rights
- Occupational Health and Safety Risks

While these issues may occur anywhere along the value chain, we recognize they will have the greatest likelihood of occurring in our supply chain. Therefore, in FY24, we began working with LRQA on a robust, data-driven process to identify the commodity and geography combinations where these salient risks are most likely to occur. This project will be followed by developing action plans for Costco to bolster our current work in these areas and to explore new initiatives for identifying, mitigating and remediating adverse impacts to workers.

Additionally in FY24, we partnered with [Arche Advisors](#) to begin a Human Rights and Environmental Impact Assessment in Brazil with a focus on our salient risks. This assessment will conclude in FY25 and further inform our program efforts going forward.



Our Employees

Taking care of our employees is critical to Costco's success, and is part of our Code of Ethics. We follow these steps in working toward this goal:

- We seek to provide competitive wages and benefits to our employees throughout our global operations.
- We are committed to numerous programs that support career development and advancement.
- Our Open Door Policy allows any employee to discuss any issue with any level of management.
- We conduct a global employee engagement survey to gauge employee satisfaction.

We're proud of the tenure rates within our company, in the retail industry where turnover is traditionally high. For more details, see the "Employee Development" page in our [People & Communities section](#).



Our Communities

We strongly believe in supporting the communities in which we operate around the globe. We work toward that goal through our:

- Food and non-food donation programs
- Policy of budgeting 1% of pre-tax profits for charitable contributions
- Employee volunteer programs in local communities

For more details, see the "Communities" page in our [People & Communities section](#).

Our Supply Chain



Costco's supply chain is complex and global in nature. It touches a number of vulnerable groups, including women, migrant workers, indigenous peoples and other marginalized communities. We respect these communities' rights and seek out opportunities for collaboration to help uphold and protect these rights.

As part of a shared commitment to respecting and upholding human rights, Costco expects its suppliers, including Costco-owned manufacturing facilities, to be aware of our Human Rights Statement and ensure compliance with our [Supplier Code of Conduct](#) ("the Code") throughout the supply chain. We carry out a risk-based approach to monitoring suppliers against the Code.

Additionally, our continued stakeholder engagement and collaboration in multi-stakeholder coalitions remain critically important to shaping our response to our salient human rights risks.

Our Supplier Code of Conduct

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

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

Key Relationships & Initiatives

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

- Costco helped establish and is an active member of the [Seafood Task Force \(STF\)](#), a collaboration tackling human rights and environmental issues in the seafood industry. Exploitation of workers, including migrant workers, is prevalent in the seafood industry, with much of the risk taking place throughout the recruitment process. Costco works with STF's Responsible Recruitment subgroup to advance the industry's efforts for responsible labor recruitment. For more information on STF, see "Seafood & Aquaculture" in our [Products section](#).
- Seasonal migrant workers in the United States' agricultural sector often face forced labor and exploitative recruitment processes. Costco and some of its fresh produce suppliers partner with [CIERTO](#), a nonprofit that provides transparent, no worker-fee recruitment for farm workers in order to ethically and legally recruit farm labor for U.S. agricultural products.
- Costco helped develop the fresh produce industry's [Ethical Charter on Responsible Labor Practices](#) and now plays a leadership role on the Advisory Group to the [Ethical Charter Implementation Program](#) (ECIP). This program involves an interactive web-based platform for growers and suppliers to assess their labor management systems against the principles of the Ethical Charter and receive guidance on how to strengthen areas where they may not be aligned. The ECIP platform then allows buying organizations, like Costco, to monitor growers' and suppliers' engagement with the program.

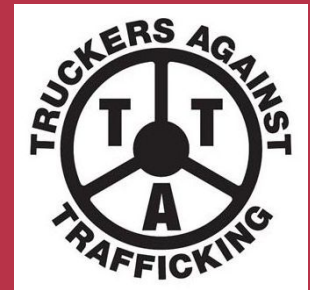


- Costco is part of a fresh produce multi-stakeholder effort, [Equitable Food Initiative \(EFI\)](#), that includes farmers, suppliers, buyers and NGOs to improve labor practices, environmental stewardship and food safety for the benefit of workers, agricultural communities, businesses and consumers. EFI provides workers and managers with training on conflict resolution and problem-solving strategies, as well as on pesticide safety and personal protective equipment. Costco pays a premium for EFI-certified produce, to directly compensate farmworkers for the extra effort they provide in meeting EFI's rigorous standards. In addition to investing \$2.5 million to EFI's development, Costco has paid over \$23 million in premiums since 2014, generating over \$21 million in worker bonuses.
- Costco and several of its produce suppliers support a program with [Fair Trade USA](#), which directly engages with farmworkers to promote sustainable incomes, safe working conditions, responsible labor recruitment, environmental stewardship and transparent supply chains. For every Fair Trade Certified™ product sold, farmers and workers earn an additional amount of money, empowering them to improve their lives and fight poverty. Since 2014, the total amount raised from Costco's Fair Trade Certified produce purchases is \$32.4 million.
- In response to human rights abuses associated with mining, we adopted a [Conflict Minerals Policy](#). To further address risks in the mining sector, Costco joined the [Responsible Minerals Initiative \(RMI\)](#), which helps companies address responsible sourcing of minerals used in many consumer products. We use the RMI's Conflict Minerals Reporting Template and Extended Minerals 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 tin, tantalum, tungsten and gold ("3TG") and cobalt. Costco also leverages its membership in RMI to learn about emerging issues and best practices on responsible mineral sourcing, and to work on addressing shared challenges. More information can be found in our [Form SD](#) and [Conflict Minerals Report](#).

Other Key Relationships

Below are additional organizations Costco works with to support workers and communities:

- [Nirapon](#)
- [Responsible Labor Initiative](#)
- [Better Buying Institute](#)
- [Truckers Against Trafficking](#)



Remediation & Capacity Building

To support suppliers, facilities and workers in our supply chain, Costco employs tools to identify and address human rights concerns.

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. Costco also supports the operation of certain grievance reporting mechanisms in high-risk supply chains through various relationships, and requires each supplier to provide an anonymous and confidential method for all supplier employees to raise concerns to senior level management at the facility without fear of retaliation.

To help educate suppliers on human rights-related topics and provide guidance on correcting Code violations, we continue to offer eLearning video lessons. These web-based lessons (often in the local language) give Costco suppliers tools to continuously improve. In FY24, 12,539 lessons were completed by suppliers and/or their facilities, a 39% increase over the previous year. The most frequently used lessons cover the categories of Fire Safety, Working Hours, and Health and Safety Management Systems.

Additionally, Costco has partnered with [Better Buying Institute](#), a non-profit organization that focuses on leveraging data to strengthen supplier-buyer relationships and improve purchasing practices. On our behalf, Better Buying™ has solicited anonymous feedback from Costco suppliers on such topics as Costco’s planning and forecasting, design and development, and payment and terms. This feedback will be valuable for Costco in considering how these practices can impact our suppliers and workers in the supply chain.

For more information on our human rights due diligence efforts, we encourage you to review our public disclosures below:

- [Australia Modern Slavery Act Statement](#)
- [California Transparency in Supply Chain Act Disclosure](#)
- [Canada Fighting Against Forced Labour and Child Labour in Supply Chains Act](#)
- [UK Modern Slavery Act Statement](#)



Construction, Landscaping & Preservation



Costco operates more than 875 warehouses around the world, with more added each year. Our design and construction approach encompasses energy efficiency, smart use of materials and more to help meet our sustainability goals.



Sustainable Principles & Design

Our warehouse designs are generally consistent with the requirements of Leadership in Energy and Environmental Design (LEED), an internationally accepted benchmark for green building design and construction. While some jurisdictions require masonry buildings, we prefer to build full metal buildings, as they offer numerous advantages. Our new buildings:

- Can use less materials overall, such as in columns and roof joists, thanks to engineering and design improvements.
- Use recycled materials where possible, reducing the need for new materials.
- Are built to be energy-smart, through metal roofs and reflective materials that block the sun, LED lighting, energy-efficient refrigeration systems and smart energy-management systems.

As we plan new buildings, we are mindful of wetlands and habitats and preserve natural wonders in designing our landscaping. We aim to provide larger, shade-producing trees, drought-tolerant plant species, native and ornamental vegetation and rocks in lieu of manicured lawns in the landscapes surrounding our buildings.

These approaches are critical as we expand our network of Costco warehouses around the world.

Recycled Materials

In building our new warehouses, we choose materials with as much recycled content as possible to reduce the use of virgin resources. Examples include:

- New U.S., Canada, Mexico locations and some locations in Spain, Taiwan and Australia use prefabricated structural steel systems that are made with recycled content and can eventually be recycled again.
- Metal building insulation uses ECOSE® Technology, which contains an average of 61% recycled content.

We use recycled asphalt in new parking lots, with recycled concrete base material, if available.

When possible we take other steps to reduce the use of resources and to save money. These include:

- Roofs built with materials to achieve a high reflectance rating, 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) to reduce the overall construction duration, saving time and money.
- High-efficiency restroom fixtures which save 32% more water than standard fixtures.
- Capturing mechanical heat from refrigeration systems to preheat hot water tanks.

Other Sustainable Features



Material Reuse in Zaragoza, Spain

When Costco began development in Zaragoza, Spain, the contract with the landowner required the demolition of existing buildings. Once the buildings were destroyed, Costco repurposed the crushed concrete to prepare the building foundation, saving costs that would have otherwise been spent on importing materials. Additionally, Costco was able to leverage an existing rock wall to create a required concrete retaining wall solution, resulting in additional cost savings. By reusing pre-existing resources, Costco not only reduced costs but also minimized environmental impacts.

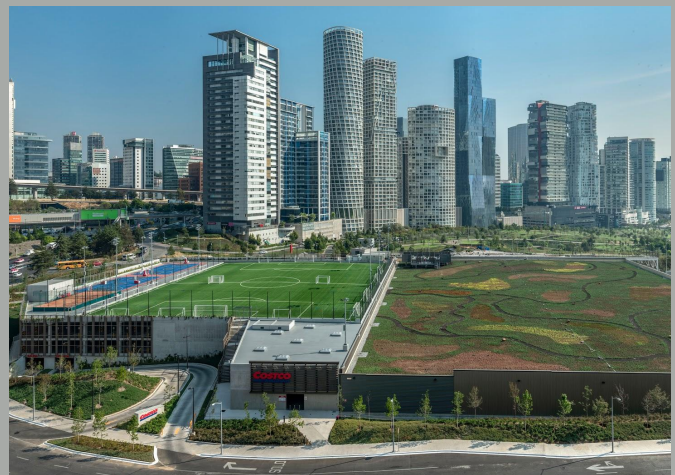


In **Villebon, France** (above), we incorporated additional sustainability features that include:

- Increased landscaping areas.
- Two “green” walls.
- Recovery of rainwater for watering and water retention system.
- Natural lighting to minimize energy consumption linked to artificial lighting.
- Water and energy meters for each type of use to monitor and optimize consumption together with sanitary fittings to reduce water consumption.
- Ten electric charging stations available for members to charge their vehicles.

Creative Approach: Santa Fe, Mexico City

Santa Fe, Mexico City Costco worked with local entities to integrate a new warehouse within a park called Parque La Mexicana. This project started with clearing land that had historically been used as a municipal waste landfill. The new warehouse has a landscaped “green” roof, featuring a variety of drought-tolerant and low-water-use succulents, pre-built hives for pollinators, and an elaborate watering system using recycled water for landscape irrigation and toilets. On top of the adjacent parking garage is a soccer field, skate park and basketball and sports courts. A local park association will operate the sports facilities.



Natural Preservation

Preservation of natural wonders or indigenous lands is important to Costco; our landscaping designs try to take this into account. For example, the Merida, Mexico location has a cenote (a natural sinkhole filled with groundwater) onsite that was restored and rehabilitated. It is named Kakutzal, a Mayan word meaning “back to life” or “rebirth.” Onlookers can view the natural feature from above on an interpretive plaza.

In another example, our SW Calgary, Alberta, warehouse is located on the lands of the Tsuu T’Ina First Nations People. Only native plant and tree species were used in landscaping to reflect the heritage of the plains.



Adaptive Reuse & Historic Preservation

In some cases, we have been able to use an existing building for a new Costco. Besides minimizing the environmental impact, this “adaptive reuse” in some cases supports historic preservations. For example, in Stevenage, England, we adapted a building originally built 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.



Creative Landscaping Steps

Costco experiments with vegetation removal using goats, with programs in Oregon, Texas and Washington. These programs can save us money in landscaping costs and eliminate the use of herbicides to kill unwanted and invasive vegetation. We continue to look for opportunities to expand this program where it makes sense. Wherever possible, we use natural and native grasses on large landscape setbacks to eliminate irrigation and mowing.

Transportation & Logistics



Optimizing and streamlining our ordering and distribution systems is critical for Costco. We aim to reduce our carbon emissions by seeking ocean, rail and road transportation efficiencies throughout operations. We also support our employees' efforts to reduce their transportation energy consumption.



Our Distribution System

Costco operates a complex distribution system to efficiently transport products in all global operations. It comprises a network of large depots and strategically located smaller distribution centers to handle products for our warehouses and e-commerce business. Throughout this distribution system, we are committed to operating procedures that reduce delivery costs, save energy and lower our emissions.

We continually evaluate other parts of our business to improve shipping efficiencies. For example, smart packaging design can mean more products on a pallet, which reduces delivery trucks on the road. Also, our plastic pallet initiative reduces the pallet weight of each truckload — lighter loads are more efficient.

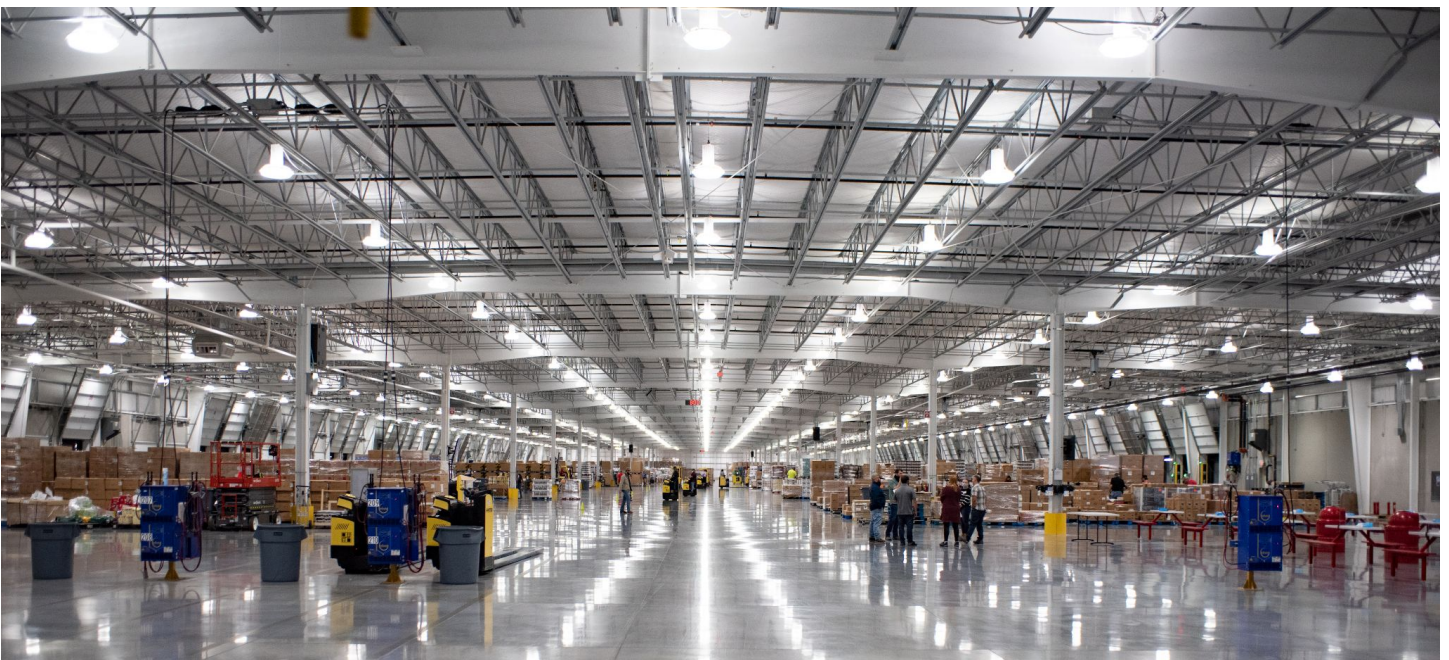
On the roads, Costco reduces costs by analyzing state weight and length oversize permits, and by using specialized equipment where geographically possible to handle heavier loads. Costco also employs longer combination vehicles to maximize trailer utilization.

Smart Logistics

In the depots, operations center around a cross-dock system for handling full pallets of merchandise from suppliers to our warehouses (selling locations). This system quickly and efficiently moves products from the depots to the warehouses, reducing labor and storage costs.

Another key is “reverse logistics” — steps we take to reduce empty trips involving trucks returning to the depots from the warehouses. The goal is to have our trucks as full as possible whenever they’re on the road in a coordinated system. For example, when we have returned goods that are headed to salvagers or need to be returned to the supplier, the shipments are consolidated into truckloads. Likewise, donated goods and materials to be recycled are staged until truck space at the warehouse is available.

This approach reduces truck trips, which lowers costs and carbon emissions. It also helps us to reduce our merchandise handling costs and helps free up sales floor space in the warehouses.



Initiatives for Improvement

We took several steps in fiscal year (FY) 2024 in our efforts to find ways to lower emissions and costs. These include:

Renewable diesel. We strive to use only renewable diesel, made from biomass and other sources, on tractors that transport products from our California depots, and are exploring where we can begin using it in other states where available. Also, all trucks in our Business Delivery fleet in California are using renewable diesel. We are partnering with our fuel providers to be able to expand this program in other states where possible.

Using smaller trucks. We are leasing smaller trucks in certain metro areas for better gas mileage.

Electric yard goats. We continue to roll out electric yard goats — the tractors used to tow trailers around a yard — to replace traditional diesel-powered equipment throughout our depot network. Through these deployments, we are also making improvements to the green microgrids that power our trucks. We continue to try to minimize reliance on already stressed electrical grids. We continue to work on our Climate Action Plan goal of electrifying this equipment system-wide by 2035.



Ecommerce smart shipping. We have deployed Smart Shipping throughout our small package ecommerce network which identifies opportunities to consolidate packages and select the most economical shipping method without compromising delivery dates. In FY24, we eliminated shipping of over 1.9M parcels through order consolidation and shifted over 18M parcels from air to ground delivery, reducing the carbon footprint required to deliver these parcels.

Our Business Delivery Fleet

For our Business Delivery fleet, we continue to expand an initiative called “Truck of the Future,” which is aimed at maximizing efficiency in our growing delivery fleets. This initiative started in 2018 with a field test of a customized vehicle that improves the payload capacity by reducing body weight. This test found that the lighter truck increased the miles per gallon, lowering our fuel costs and carbon footprint. We are now choosing these new vehicles as we add and renew fleet leases.

Employee Transportation

Additional efficiency features and pilot programs include:

- Using solar power to replace batteries on trucks. Adding a solar panel on the truck to help power equipment enables us to eliminate one battery, reducing vehicle weight.
- 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. Using these coolers lightens the weight of a truck, increasing efficiency.
- Continuing to test EV trucks and investigate onsite charging options.
- Using technology to analyze driver behavior to achieve better fuel efficiency.
- Using 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, thus saving fuel and reducing emissions.
- Using telematics, a routing system, on all 2017 and newer trucks. This allows us to identify opportunities to enhance mileage consumption through efficient routing, which also decreases idle time.

Costco encourages its employees to use alternative forms of transportation with the goal of reducing energy consumption, emissions and commuter gridlock. Under the Commute Trip Reduction (CTR) program, which began more than 20 years ago at the corporate office, vans, fuel, maintenance and insurance are provided by five local transit agencies. Employees who participate in the CTR program 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.

We also have many employees who choose to informally carpool with coworkers. We also offer secure bicycle storage facilities and locker room use for employees. Finally, charging stations are available at our corporate offices for employees who drive electric vehicles.

Backhauls: Outbound Dedicated Transportation Initiative

A transportation initiative implemented in 2023 focused on eliminating empty miles for returning trailers after outbound depot warehouse deliveries. This resulted in reducing total delivery trucks as well as maximizing efficiency in the network.

Here are the FY24 results:

- 2.8M reduced miles
- 429k gallons of diesel fuel saved
- 4.4k MT CO2 emissions avoided

Ecommerce Big & Bulky: DDC Transportation Initiatives

Direct Distribution Centers (DDC) are facilities operated to handle bigger goods such as larger TVs, appliances, furniture and some patio items and transport these items to our members. Transportation initiatives were put in place in Q3 of 2023 focusing on maximizing trailer volume utilization on big and bulky loads (items more than 150 lbs) in our DDC. Combining low volume shipments on a single trailer reduced total delivery trucks as well as maximized efficiency in our growing ecommerce business while lowering fuel costs and carbon footprint.

Here are the FY24 results:

- 1.4M reduced miles
- 1,800 reduced truckloads
- 220k gallons of diesel fuel saved
- 2.2k MT CO2 emissions avoided



Energy & Refrigeration

Using clean energy and efficiently managing the refrigeration, lighting and other systems in our operations are critical for reducing our Scope 1 and 2 CO₂e emissions, as well as for reducing expenses.



Our Warehouses & Energy

With more than 890 warehouses around the world, we are aware of just how large our environmental footprint can be. We are working to minimize that footprint through energy-efficient systems and smart operating procedures. We know this is critical because purchased energy is the largest source of our carbon emissions created within our operations.

Our strategy to achieve our carbon reduction goals and reduce emissions involves both how we source energy and how we use it. We are working toward these goals by:

- **Increasing our electricity from clean sources. As of the end of calendar year 2023, electricity from clean sources represented 21% of our global purchased electricity.** We also have more than 123 on-site solar systems internationally, which we will expand where feasible. Additionally in FY24, we installed our first off-grid solar and battery system.
- **Adopting smarter systems within the buildings.** This includes using energy and lighting management systems to control heating and cooling set points, set lighting schedules and provide information for system troubleshooting and diagnostics.

- **Converting older U.S. warehouses to more energy-efficient LED lighting systems.** Our new warehouses use LED lighting technology; also, older generations of LED are being replaced by newer versions.
- **Improving the overall efficiency of our “building envelope.”** This includes eliminating skylights in new construction where appropriate, covering skylights in select existing locations to lessen the workload of HVAC systems and taking other similar steps.
- **Considering innovative system designs based on operational and regional needs.** For example, in some warmer climates, we have installed hybrid systems that use an energy-efficient combination of fans and misting to cool refrigeration systems throughout the day.
- **Committing to education and training for our employees to increase staffing expertise.** This includes Certified Energy Management training, among other programs. In FY24, we held our second annual Certified Energy Manager course, bringing the total number of certified employees to 24. We also share best practices and ensure compliance through our STAR program in the warehouses.

Energy efficiency also saves expenses, which helps us remain a low-cost operator. You can find more specifics and results related to our energy-saving measures, including our Scope 1 and 2 emissions, in our [Climate Action Plan](#).

Costco in Iceland

Iceland’s geothermal system produces hot water that provides space heating and hot water supplies throughout our warehouse. This system also facilitates snowmelt to free up sidewalks and key areas in front of the building, including the gas station forecourt (filling area) and the freight area ramp.



Auditing Our Energy Use

In 2023, we launched a pilot program in select warehouses to take an in-depth audit of energy consumption throughout the buildings. The Warehouse Energy Audit Pilot, conducted by a professional energy auditor, entails examining all energy-consuming equipment, from fans and lighting to ovens and coolers. This project will yield a detailed energy use analysis that will help us identify where we can improve operations and equipment in existing warehouses, and how to increase our efficiency as we grow in future years.

ENERGY STAR Benchmarking

As of calendar year 2024, Costco added ENERGY STAR benchmarking to our warehouse STAR Review audits. Our STAR Review audits aim to measure and reduce emissions across our business and environmental impact. ENERGY STAR benchmarking compares the warehouse building's energy performance to similar buildings nationwide based on specific criteria. Individual locations can review their building energy score, average energy score by state/region/country as well as how Costco overall compares in score. These benchmarkings highlight the most efficient locations and help us replicate their energy-saving practices in less efficient buildings.

Managing Refrigerants

We recognize that hydrofluorocarbons (HFCs) and other gasses in our refrigeration systems have a major impact on our climate. We continue to explore new technologies and carefully select refrigerants that are low in Global Warming Potential (GWP) and reduce CO₂e emissions. We're taking these steps to manage refrigerants in our global operations:

- Testing new emerging leak detection technologies to identify refrigerant leaks and trigger alerts for faster resolution.
- Retrofitting our existing locations with high GWP refrigerants to lower GWP refrigerants.
- Leveraging CO₂ as the primary refrigerant in our new warehouses, where the required equipment and specialized labor are available and where it is operationally viable. We are working with certified contractors who adhere to best management practices in installing, maintaining and decommissioning equipment.

- Collaborating with the North American Sustainable Refrigeration Council and other industry stakeholders to address the critical shortage of refrigeration technicians needed to further the adoption of more sustainable refrigerants. This partnership focuses on recruiting more technicians into the industry, training those technicians in new sustainable refrigeration technologies and developing strategies to retain experienced technicians. This nationwide program is referred to as R-Trade, an acronym standing for Refrigeration Technician Recruitment, Advancement, Development and Education. R-TRADE aims to add 15,000 technicians to the industry by 2027.

Water Strategy

Costco understands the importance of water conservation and has adopted Sustainable Development Goal (SDG) 6 – Clean Water and Sanitation for All – 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. We are also taking steps to use less water overall.



Water Management & Stewardship

We have expanded our global water strategy to include a water stewardship initiative. This initiative builds on the foundation of our operational water management program and will expand to include engagement with our suppliers and diverse stakeholders through collective action initiatives and platforms. We aim to collaborate with stakeholders that share the same watershed, focusing on sustainable solutions.

We also continue to expand our operational water management program through efficiency initiatives and improvements in wastewater quality and stormwater discharges.

Our approach to water management and stewardship is informed by globally accepted frameworks developed by World Wildlife Fund (WWF), the CEO Water Mandate, other leading non-governmental organizations (NGOs) and multinational corporations who have built and implemented impactful programs.

Progress to Date

Our progress to date in implementing our water strategy consists of the following key initiatives.

Operational Water Performance

We continue to evaluate opportunities to further improve water efficiency in our global operations including adopting water efficient fixtures, assessing the potential for water reuse in irrigation and car washes, improving leak detection, managing stormwater and implementing low water-use landscaping and irrigation technologies.

Our specific initiatives include:

- Detecting mechanical failures in real-time for quick fixes to minimize water losses.
- Creating an enhanced awareness of water use and stewardship throughout our operations.
- Increasing water efficiency to lower the amount of energy and cost necessary to run mechanical equipment and systems, which in turn reduces our carbon footprint, operational expenses and environmental impact.
- Continuously evaluating innovative water use technologies to enhance our operational efficiency.
- Collaborating closely with our operations and real estate teams to identify and mitigate risks related to stormwater management.

Costco's Estimated Global Water Usage Summary¹

| | Sales (\$MM) | Gallons ('000s) | Water Use Increase (YoY) | Water Intensity ('000 gal / \$MM sales) |
|------|--------------|-----------------|--------------------------|---|
| FY20 | \$163,022 | 3,745,971 | N/A | 22.98 |
| FY21 | \$192,052 | 4,027,322 | 7.5% | 20.97 |
| FY22 | \$222,730 | 4,141,135 | 2.8% | 18.59 |
| FY23 | \$237,710 | 4,233,311 | 2.2% | 17.81 |
| FY24 | \$249,625 | 4,547,200 | 7.4% | 18.22 |

¹ Consumption based on all invoiced water usage; may exclude some water for common area landscaping and locations with well water.

Our Approach to Landscaping

Landscaping around our facilities is important for the beauty it provides, and for preserving natural habitat. When we build new warehouses, we seek to include effective landscaping that uses the least amount of water possible. This entails integrating native, drought-resistant and artificial landscaping materials to minimize irrigation.

We are also finding these measures to be helpful (when feasible):

- Using smart technologies and subsurface irrigation to improve efficiency and reduce water waste in irrigation systems.
- Installing bioswales to preserve groundwater and prevent runoff in select locations.

Wastewater & Stormwater Plans

Each U.S. Costco location has wastewater and stormwater plans and procedures designed 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 team, work directly with all locations to track and respond to water waste or quality concerns. International locations have taken examples from the U.S. and are applying smart approaches in their local jurisdictions to improve waste and stormwater management.

Examples of Water Efficiency & Savings

We continue to seek big and small ways to save water in our operations. Here are some examples:

- In our U.S. Food Courts, we are upgrading the way we safely clean the pots and pans used to prepare food. A new high-efficiency dishwasher uses 197 fewer gallons a day than the old system, while requiring less energy and labor hours as well. So far, we have installed nearly 200 new dishwashers as we grow the program. It all adds up to an annual estimated savings of 13.9 million gallons of water per year.

Using Less Water in Landscaping

In our existing warehouses, we are reviewing the feasibility of replacing landscaping with surfaces and features that use less water. These photos show parking areas that have been redesigned. Updates also can include drip irrigation systems. New warehouse sites are designed with water-efficient landscaping in mind.



- In 23 Mexico locations, all water used in the warehouses (e.g., bathrooms, fresh food areas) go from the drains to on-site small treatment plants, instead of the sewer. This treated water is then used for site irrigation. This not only reduces the impact on local sewer systems, but saves us money on irrigation costs.
- In Australia, rainwater is captured and stored on-site for use in toilets, cooling refrigeration systems and irrigation.
- In the Los Angeles region, we are using a water capture system to catch rainwater and refrigeration condensate, which 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 our regional office in Kisarazu, Japan, rainwater is captured in an underground storage tank for irrigation and flushing toilets. Up to about 27,000 gallons of rainwater, collected from gutters at the rooftop and fourth floor terrace, can be stored underground.

Car Washes

Wastewater in our on-site car washes 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.

In fiscal year (FY) 2023, we were able to improve the washing process, enabling us to eliminate the “rain bars” at the entrance of the car wash. A "rain bar" is a device that delivers a steady stream of water to a vehicle as it passes through a wash tunnel to keep it wet while detergents are being applied. In FY24, this saved an estimated 5.1 million gallons of water.

Water Savings in Our Chicken Plant

In 2019, Costco began selling chicken in our vertically integrated facility in Fremont, Nebraska, which was designed with water preservation, re-use, efficiency and treatment in mind.

Costco worked with the city of Fremont to expand its wastewater treatment plant to ensure that the wastewater generated is treated before returning to the municipal wastewater treatment plant. In addition, through a process of air chilling, we save a substantial amount of water in comparison to typical water chill processing.



Minimizing Waste



Costco understands our potential impact on the global waste stream and emissions caused by waste generated within our operations. Our aim is to continually decrease the amount of waste going to landfills, with a goal to divert 80%. See our [Global Waste Stream Report](#) for our annual update.



Diverting Waste from Landfill

Effective waste diversion conserves natural resources, saves energy, cuts expenses and reduces emissions. We continue to examine our waste disposal programs to maximize efficiency and reduce costs.

Regarding our 80% diversion goal, in fiscal year (FY) 2024, we diverted 82.1% of our waste from landfills. 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. See our waste diversion and donation report details on page 8.

Tracking Emissions

Costco started measuring its baseline for total waste emissions in FY20. Since then, we have estimated our total Scope 3 Category 5 waste emissions for reporting Costco locations based on the total tonnage to landfill and total tonnage diverted. Here are the results:

- FY20: 137,098 MT CO2e
- FY21: 147,138 MT CO2e
- FY22: 154,090 MT CO2e
- FY23: 168,967 MT CO2e
- FY24: 172,961 MT CO2e

Reducing Food Waste

We take a variety of steps to keep food out of landfills, whether it's by creating a new product, donating it to people who are food insecure or feeding it to animals. For food waste, we follow the [Wasted Food Scale](#), as defined by the U.S. Environmental Protection Agency.



Food Waste Prevention

One way of reducing food waste in our operations is by creating new items for our members. These products change from time to time and by location as we seek creative new ideas. For example, unsold rotisserie chickens are made into deli items, reflecting local tastes, such as chicken noodle soup and pot pies in the U.S.; enchiladas and fajita quesadillas in the UK; and Singapore Laksa in Taiwan.

Likewise, ground beef from the U.S. meat departments are used for stuffed peppers and meatloaf in the deli, and for shepherd's pie and stuffed bell peppers in Canada.

All in all, our goal is to keep food that is still fit for human consumption out of landfills.

Food Donations

Costco has programs and partnerships with [Feeding America](#), [The Global FoodBanking Network](#) and local food banks to prevent food from being wasted. These efforts provide meals to individuals and families who are food insecure. We offer our food donation program in all states and most countries/regions where we operate, and have continued to grow it year over year. The U.S., Canada and Mexico have added the ability to donate cooked food from our Food Courts by creating food safety procedures. More information can be found in our August 2021 *Costco Connection* article, [Do Not Discard](#).

We understand the importance of the types of food donated, so we strive to provide healthy and nutritious food. In FY24, 71.8% of the food donated in the U.S. was in the following categories:

- Produce/fruit/vegetables (42.7%)
- Grains/bread (16.2%)
- Dairy/protein (12.9%)

Reducing Non-Food Waste

Other Food Uses

- We divert organic materials for feed to local programs, including animal sanctuaries, rescue centers, local farms for cattle, hogs and other animals, and city zoos.
- Organic waste is recycled into usable products, such as organic fertilizer, biofuels and electricity. For example, most of our chicken grease from rotisserie chickens is converted into biofuel.
- Some locations send organic waste to commercial compost facilities to create a nutrient-rich soil conditioner.
- Where possible, trash from our in-warehouse compactors is taken to waste-to-energy facilities.

Costco is committed to reducing non-food waste through efficiencies and other programs.

Non-Foods Donations

Costco has grown its program with [World Vision](#) to donate first-quality items that used to be destroyed, recycled or returned to the supplier. These items are donated to people in need around the world. 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. These efforts have the added benefits of reducing trips to the landfill and saving on trash fees for both Costco and our suppliers.



Eyeglass Donation Program

Costco has partnered with Assist International for an Eyeglass Donation Program. Members can drop off used prescription glasses, readers or sunglasses in boxes located in the Optical Center in our warehouses. Costco sends this eyewear to Assist International, which works alongside a team of volunteers and partner organizations to sort and distribute donated eyewear internationally to those in need.



Recycling

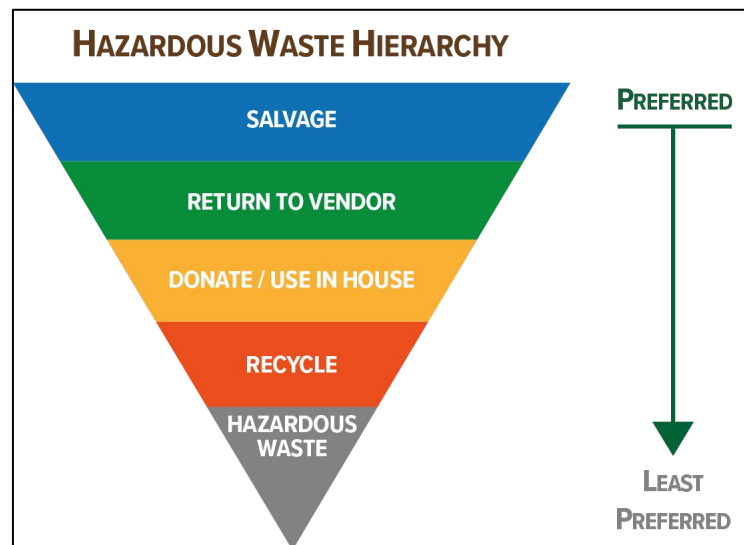
We have developed programs to recycle a wide variety of materials (actual amounts are shown in this [Global Waste Stream Report](#)):

- **Corrugated Cardboard and Shrink-Wrap.** We send shrink-wrap and corrugated material generated from daily operations to our distribution centers for recycling.
- **Tires.** While 14% of our tires are resold, over 82% are recycled into uses like crumb rubber for roads or decorative mulch.
- **Car Batteries.** Costco reimburses members their core fee when batteries are returned for recycling. Up to 99% of a car battery is recyclable and can be used to make new batteries.
- **Paper.** Costco has established a recycling program for paper in our offices and warehouses, and we continue to move to paperless programs when applicable.
- **Metal.** In the U.S, we have a new program to recycle scrap metal that cannot be processed through standard single-stream recycling bins.
- **Polystyrene Foam.** In certain locations, expanded polystyrene (foam) is densified and distributed to manufacturers that make picture frames, crown molding and other polystyrene products.

Also, in an effort to make sure everybody knows about recycling procedures and goals, all employees in our U.S. warehouses are required to take a special recycling course through our internal educational program called Costco U. Taiwan, Korea, Japan and Mexico also leverage a translated version of the recycling course and we are continuing to expand similar training internationally where feasible. For example, Canada, UK, Australia, Spain, Sweden, France and Iceland have training for employees related to donations and diversion.

Hazardous Waste Reduction

Hazardous materials pose a risk to the environment, human health and/or the communities we operate. These include common everyday items such as dish soaps, detergents, batteries, light bulbs and electronics. As with other waste programs, Costco follows a hierarchy to reduce or eliminate hazardous waste (shown below). Here's a look at our programs to manage hazardous waste:



- **Electronic Recycling.** We use an electronic recycling program through approved, licensed recycling vendors. We are able to manage both member returns and company assets while ensuring secure removal of sensitive data alongside material recovery through the vendor's e-scrap shredding system.
- **Batteries & Light Bulbs.** We recycle household batteries and light bulbs from returned products or used in operations.
- **Fuel Station Materials.** Byproducts from our fuel station operations are managed in ways to minimize waste. Used and drained fuel filters can be managed as scrap material.

- **Ethanol Recovery.** Items containing ethanol such as alcoholic spirits, perfumes, colognes, cough syrup, vanilla extract and hand sanitizers (classified as consumer chemical products) are hauled off-site, depacked and shredded at various facilities. The liquids are processed for ethanol recovery.

Better Stretch Wrap

Stretch wrap is a daily staple in Costco warehouses and depots. It offers a quick, secure way to bundle products on a pallet for transportation, helping everything get to its destination with minimal damage.

A new program to provide a thinner gauge of plastic stretch wrap recently rolled out to all warehouses and depots across the U.S. Additionally, the stretch wrap used is either 10%, 25% or 30% post-consumer recycled (PCR) plastic. According to supplier-provided data, this new stretch wrap saved around 469,000 pounds of plastic waste in 2024. This new stretch wrap has the dual benefits of using less plastic and saving money.



The Making of a Trash Bag

Working with supplier Poly-America, Costco has developed a program to recycle the stretch film that encases products on pallets during the shipping process for use in making some Kirkland Signature™ trash bags. Here's how this closed-loop process works:

- Stretch film secures products as they are transported to Costco locations. In the warehouses, this film is cut off and put into balers.
- The bales of clean stretch film are sent to Poly-America plants. There, the film is broken apart, shredded into small particles, washed and dried.
- This material is then extruded into pellets for use in making new products. These pellets are known as post-consumer recycled (PCR) content, and are useful for new products.
- Finally, the pellets are used in the manufacture of certain Kirkland Signature trash bags. Those bags, incidentally, are shipped to Costco's distribution depots in stretch film, and the process begins all over again.



Waste Minimization: By the Numbers

Global Waste Diversion

| | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 |
|--|---------|---------|-----------|-----------|-----------|-----------|
| Landfill/Incineration (US tons) | 312,487 | 291,269 | 327,874 | 317,663 | 315,512 | 349,246 |
| Diverted from Landfill/ Incineration (US tons) | 831,594 | 907,114 | 1,188,243 | 1,262,477 | 1,300,775 | 1,596,815 |
| Diversion % | 72.7% | 75.7% | 78.3% | 79.9% | 80.5% | 82.1% |
| Reporting Regions | 10 | 12 | 12 | 12 | 14 | 14 |

Global Donations

| | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 |
|---------------------------------------|--------|--------|--------|----------------------|--------------------|---------------------|
| Food Donations (Millions Lbs.) | 76.9 | 92.8 | 99.0 | 125.8 | 168.6 | 213.5 |
| Meals Donated (Million Meals) | 64.1 | 77.3 | 82.5 | 104.8 | 140.5 | 177.9 |
| Warehouses & Depots Donating Food | 772 | 794 | 823 | 844 | 870 | 908 |
| Number of Non-Food Pallets Donated | 42,493 | 54,332 | 80,304 | 131,438 ¹ | 100,933 | 50,024 ³ |
| Non-Food Product Value (\$, Millions) | \$76.2 | \$79.9 | \$137 | \$278 | \$157 ² | \$104 |

¹ The number of pallets significantly increased in FY21-22 because our growing Costco Logistics program, which delivers appliances, TVs and other large items purchased on Costco.com, is now part of our donation program.

² A reporting error was found for non-foods donations that affected FY23 data leading to an increase in donations over what was previously reported.

³ The number of pallets decreased from FY23 to FY24 due to a decrease in overall merchandise returns.

Environmental Compliance



Our Code of Ethics calls for us to obey the law, and complying with environmental regulations is an example of that mandate. Our environmental compliance efforts are integral to our corporate sustainability initiatives.



The Role of Compliance

Our Environmental Compliance program promotes resource efficiency and compliance in Costco operations, through environmental monitoring, resource management, and employee education. We implement practices aligning with environmental regulations to ensure our business is sustainable. Our program covers regulations related to stormwater, sanitary water use, spills/releases, hazardous waste management, environmental mitigation, endangered species, air quality and more. The program applies to inspections, maintenance and reporting for all of our properties, including our warehouses (retail locations) as well as our industrial properties (manufacturing, distribution, logistics, etc.).

In addition, our Global Compliance Team works in conjunction with representatives from numerous departments throughout the company to review and identify opportunities to enhance compliance and sustainability programs and policies. 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](#).

We hold a Global Environmental Sustainability Summit each year 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.

STAR in the Warehouses

We continue to build on our existing environmental compliance platform through the Sustainability Technical Assistance Review (STAR) program to formalize standards and requirements in five key focus areas (listed below). By working toward STAR goals, Costco is building the capabilities to track compliance and dynamically monitor resource use at all our warehouses. We aim to integrate the people, systems, policies, data and standard operating procedures in support of the following five focus areas:

- Ensure environmental compliance
- Govern water use inside and outside our facilities
- Minimize energy consumption
- Increase waste diversion
- Reduce carbon emissions

The STAR program is promoted in employee break rooms and supported by regional specialists who visit the buildings and best practices are shared through the STAR News bulletin.

Enhanced data “dashboarding” programs and reporting capabilities added in 2022 allow us to respond quickly as situations arise. We also continue to digitize our environmental records, make enhancements to the dashboard, and automate compliance programs to aid in both accuracy and efficiency while reducing operator fatigue.

Meanwhile, we built and deployed a central monitoring program (Central Station) in our U.S. and Canadian buildings (warehouses, depots and businesses). This system monitors refrigeration, burglary and fire alarms, enabling us to fix problems and improve our operations.

Animal Welfare

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



Our Mission Statement

Costco is committed to the welfare and proper handling of animals that are used in the production of products that we sell. 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. Costco has adopted the Five Domains for assessing animal welfare. The domains are:

- Nutrition
- Environment
- Health
- Behavior
- Mental State

If animals have positive experiences in the first four physical/functional domains, then the result should be a positive experience with the fifth domain — a good mental state, leading to good welfare and a positive quality of life. We have worked with Dr. Temple Grandin (click [here](#) for more information), an independent and prominent animal welfare expert, in adopting these domains.

Collaboration with Experts & Suppliers

Scope & Risk-Based Phased Approach

Animal Welfare Audits

We coordinate our efforts through an Animal Welfare Task Force, made up of members from our corporate and international buying, global sustainability and compliance, and legal departments. Our efforts are informed by various global standards and benchmarks. We seek to stay abreast of new technologies and methods through our suppliers, academia and industry experts, including Dr. Grandin, who is highly regarded with decades of experience in the areas of animal science, animal welfare and animal behavior.

Because of the number of suppliers Costco has, and their geographic dispersion, it is 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. We place emphasis on auditing suppliers of Kirkland Signature™ items, particularly in the U.S. and Canada. Even as we focus on 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. For on-farm audits, we place primary reliance on the efforts of our suppliers.

Costco utilizes and asks its suppliers to use recognized audit standards and programs conducted by trained auditors, and looks at animal welfare both on the farm and at processing. 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 Global Sustainability and Compliance team and buying staff. Audits apply to:

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

"The Five Domains emphasize the importance of both preventing suffering and providing animals with positive experiences." —Dr. Temple Grandin

Poultry

Audits can be conducted by Costco auditors, suppliers or third parties. Audit type, frequency and intensity can vary across suppliers and species. Costco requires U.S., Canada and Mexico auditors to be certified. Below we outline our current animal welfare audit policies and procedures by species.

Organic certification in the U.S. and Canada includes limited 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 in the countries in which we do business.

U.S. and Canada Broilers and Turkeys

Here is our audit policy covering broilers and turkeys in the U.S and Canada:

- Costco requires broiler animal welfare audits at processing in accordance with the [National Chicken Council \(NCC\) Recommended Animal Handling Guidelines](#), and [American Humane Certified Farm Program Broiler Standards](#).
- For turkeys, Costco requires audits are processed in accordance with the [National Turkey Federation Animal Care Guidelines](#) or [American Humane Certified Farm Program Turkey Standards Audit Tool](#).
- Costco also expects audits to be completed at the hatchery and grow-out facilities.

U.S. Broiler Policy

Broilers are chickens raised for meat (as opposed to eggs). Although broilers have a life cycle of less than 50 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 three 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 U.S. Department of Agriculture. These four facilities are our primary suppliers (which we call dedicated suppliers).

With respect to our dedicated suppliers: all broilers are cage-free, in chicken houses where they are free to move about without restriction. The minimum standards followed in these houses are based on those developed by the National Chicken Council (NCC). These can be found [here](#). The NCC represents companies that account for approximately 95% of broiler production in the U.S.. 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 preparation 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 processing, using methods that are calming for the animals and conducive to the welfare of employees who monitor the process. 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. 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. Our dedicated suppliers target an operating density standard of .92 square feet per bird. Due to one of our dedicated complexes being impacted by weather events, they are currently operating at a temporary higher density until those lost houses can be rebuilt. Once completed, the density will return to .92 square feet per bird.

Catching And Transport. LPP uses what it regards as state of the art equipment for gathering of birds when they are ready to leave the chicken houses. This highly automated system reduces opportunities for human mistakes and adverse welfare issues 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.

House and Environmental Enrichments. Across the industry, poultry companies have experimented with trials and husbandry improvements to enrich the experience of broilers. LPP continues to monitor studies that examine whether these enrichments improve poultry welfare outcomes, provide environmental enrichments or benefit farm workers who work with the broilers. In addition, LPP is experimenting with enrichments in a limited number of houses to evaluate whether wider deployment is warranted.

U.S. Broiler Policy (continued)

Breeding. Some parties have advocated that Costco and others change to breeds that grow more slowly. We have concerns that slower-growing breeds increase environmental impacts on climate and water due to greater feed demands, elevated energy usage and higher waste output. These greater impacts 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 operations.

Our dedicated broiler operation has continued communications with breeding stock suppliers, current research, and utilizing current studies concerning selection that could over time enhance key welfare indicators, like leg strength of broilers, in an effort to reduce welfare issues. The nature of selective breeding means that this process occurs slowly. Notwithstanding, due to the decreased density and smaller size of LPP's broilers, we believe that the incidence of adverse welfare impacts associated with larger fast-growing broilers under more crowded conditions is lower. Our work and understanding of slow-growing birds is ongoing. Our suppliers are researching and trialing various breeds to evaluate bird health and welfare, product quality and environmental impacts.

While we believe we have achieved significant progress in our broiler welfare programs, we recognize that there is room for improvement and innovation. LPP has a full-time animal welfare officer, a full-time auditor for growers, a full-time veterinarian on staff and has enhanced the training requirements for auditors. LPP's objective is to audit each grower three times annually.

Early in 2021 we engaged the services of Dr. Grandin, an independent and prominent animal welfare expert, to examine the practices at LPP and make recommendations for enhancements. Dr. Grandin 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 houses and reduced stocking density. Many of her recommendations have been adopted. We continue to engage with Dr. Grandin at our LPP complex annually in person and throughout the year.

Down & Feathers

Costco has committed to responsible down sourcing. We require 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 with these standards promotes ethical sourcing of down and feathers through the verification of supplier traceability systems, general animal welfare, risk assessment and other important best practices.

U.S. Laying Hens

Costco implements animal welfare audits for laying hens in the U.S.:

- Audits can include [American Humane](#), [Certified Humane](#) and [United Egg Producers](#) audits.
- Audits now extend in varying degrees to conventional cage, cage-free and organic housing systems.

Costco has introduced the Costco Hen House Audit in the U.S. This tool seeks to promote responsibility and accountability by the supplier and provides a means for annual house evaluations:

- Kirkland Signature egg 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 answers.

Cage-Free Eggs

Costco is committed to procuring cage-free eggs. In FY24, the percentage of cage-free shell eggs we sell worldwide increased slightly. Still, due to Avian Flu, as indicated in the table on the following page, some regions had a slight decrease. Kirkland Signature Liquid Eggs are cage-free in the U.S.. The transition to cage-free eggs will continue to increase with added availability and capacity of cage-free production.

Supply shortages from Avian Flu and otherwise may from time to time temporarily require us to source a small quantity of non-cage-free eggs to meet our member requirements.



Percentage of Cage-Free Shell Eggs by Region

| Regions | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------------------|
| Australia | 59.6% | 48.2% | 43.8% | 50.5% | 55.6% | 51.6% ³ |
| Canada | 23.7% | 22.8% | 22.9% | 22.7% | 22% | 21.3% ³ |
| China ¹ | N/A | 0% | 0% | 2.1% | 2.9% | 3.6% |
| France | 100% | 100% | 100% | 100% | 100% | 100% |
| Iceland | 100% | 100% | 100% | 100% | 100% | 100% |
| Japan ¹ | 0.6% | 0.8% | 2.9% | 3.6% | 10.1% | 6.3% ³ |
| Mexico | 91% | 97.3% | 100% | 100% | 100% | 100% |
| New Zealand | N/A | N/A | N/A | N/A | 100% | 100% |
| South Korea | 3.4% | 9.6% | 18.7% | 77.7% | 100% | 100% |
| Spain | 100% | 100% | 100% | 100% | 100% | 100% |
| Sweden | N/A | N/A | N/A | N/A | 100% | 100% |
| Taiwan ^{1,2} | 0% | 0% | 8.1% | 13.8% | 16.1% | 23% |
| United Kingdom | 100% | 100% | 100% | 100% | 100% | 100% |
| United States | 90.7% | 93.2% | 94.2% | 97.0% | 91.6% | 97.1% ³ |
| Global | 70.8% | 72.3% | 73.9% | 79.7% | 77.7% | 81.6%³ |

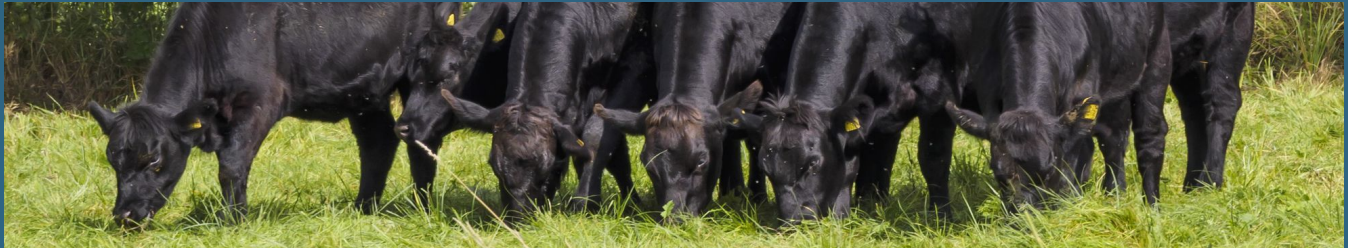
¹ Our progress in Taiwan, China and Japan is dependent upon local available infrastructure and appropriate food-safety practices. Taiwan, China and Japan are selling cage-free eggs in select locations and will continue to expand based on availability.

² In Taiwan, the balance of the eggs that are not cage-free 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.

³ Australia, Canada, Japan and the U.S. cage-free supply issues were affected by High Pathogenic Avian Influenza over the last year. To keep eggs in stock for our members, we had to partially resort to conventional eggs.

U.S. & Canada Beef

Costco requires third-party animal welfare audits at processing in accordance with the [Meat Institute Recommended Animal Handling Guidelines](#) in the U.S. and Canada.



U.S. Dairy

- Costco requests animal welfare audits at the farm level. We work 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 conformity with best practices in animal care and quality assurance. Costco works with larger cooperative suppliers that utilize the FARM Program to increase the frequency of third-party verification.
- The FARM Program does not allow tail docking and Costco does not support this practice. Current suppliers report to us that they do not practice tail docking.
- Costco requires its suppliers to implement standards regarding age and pain management as it relates to dehorning.
- 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.
- Through the years our suppliers have embraced new ways to improve the welfare of the animals in their care. We expect suppliers to continue to seek improvements that promote good animal health and well-being.

North American and Australian Veal

Costco expects that where we sell veal, the veal is traceable to the farm level and that farms are inspected for compliance to meet the following veal policy requirements:

All veal

- Inhumane treatment of calves is unacceptable and will not be tolerated at any stage of the animal's life.
- Calves must never be tethered unless needed for a medical reason and it is temporary.
- Electric prods are never to be used.
- Non-ambulatory animals are never to be used in production.
- All farms are to have a Veterinarian Client Patient Relationship (VCPR).
- Veal is to be a minimum of 20 weeks of age or greater prior to slaughter.

Veal raised in barns

- There must be a minimum of two calves per stall after 8 to 10 weeks of age. (This is dependent upon calf behavior and health issues that would require a calf to be separated.)
- All stalls must be large enough to allow calves to freely turn around, lie down and maintain normal postures.
- Calves must be inspected at least twice daily by the farmer or caregiver to ensure cleanliness of the animals as well as the stall.
- The farmer or caregiver will also ensure proper fresh air and ventilation at all times.
- Calf diets must consist of nutritious feed and fresh water.
- Veal barns are to receive, at a minimum, one annual third-party humane handling audit per year. These audits are to be made available to Costco Wholesale.
- Veal barns are to be visited by a veterinarian at a minimum of once every grow-out cycle.

Veal raised on pasture / paddocks (Australia)

- All suppliers are required to be Livestock Production Assurance (LPA) certified.

Pork

In the U.S., Costco producers use 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. In Canada, Costco expects suppliers to follow the National Farm Animal Care Council (NFACC) guidelines.

There may be certain times during a sow's gestation period when she should be separated from the rest of the group. An example of this is the time between insemination and confirmation of pregnancy. Our goal is to continually decrease the overall time sows are in individual confinement. We are working with our suppliers to help make this transition, which takes time, education and investment to change farming practices and infrastructure.

Over the long term, we will target suppliers outside the U.S. for compliance with group sow housing standards, to the extent they are not held by local law to the same standard or a higher standard, and work with suppliers to achieve compliance for branded (non-Kirkland Signature) cooler items to further reduce the number of days that breeding sows spend in gestation crates.



Global: Group Sow Housing

We are committed to increasing the percentage of our Group Sow Housing for Kirkland Signature fresh pork and cooler items.

We follow the American Association of Swine Veterinarians' definition of Group Sow Housing. This is a housing environment for more than one sow where, after confirmed pregnant, they have the ability to lie down and stand up unimpeded and to turn around. The time sows spend in group housing is generally 35-45 days, or less as required by law.

In FY24, our global pork business grew in volume sold as did the percentage of pork from Group Sow Housing. The following chart outlines this additional growth based on supplier reported data.

| Regions | FY23 | FY24 |
|----------------|--------------|--------------|
| Australia | 92.7% | 100% |
| Canada | 87.6% | 100% |
| China | 100% | 100% |
| France | 100% | 100% |
| Iceland | 100% | 100% |
| Japan | 50.5% | 54.7% |
| Mexico | 63.6% | 72.8% |
| New Zealand | 99.8% | 100% |
| South Korea | 83.9% | 94.8% |
| Spain | 98.7% | 98.2% |
| Sweden | 100% | 100% |
| Taiwan | 100% | 100% |
| United Kingdom | 99.4% | 99.4% |
| United States | 97.3% | 100% |
| Global | 92.2% | 96.5% |

Antibiotics
Overview

U.S.: Gestation Crate Minimization

In the U.S., our goal is to continue to further minimize the time sows spend in gestation crates (including sows already in Group Sow Housing) for U.S. Kirkland Signature fresh pork.

Currently, we are aligning our definition of Gestation Crate Minimization with California Prop 12 and Massachusetts Question 3 regulations for animal husbandry purposes. This is a housing system that limits the time a sow spends confined in individual crates, as needed for her health during gestation, to no more than 6 hours in a 24 hour period and not more than 24 hours in any 30-day period.

In FY24, we made progress with our suppliers to increase the total volume (in pounds) of U.S. Kirkland Signature Fresh Pork raised in a Gestation Crate Minimization system by more than 13% from the previous year. This growth increased the total penetration of the U.S. Kirkland Signature’s Fresh Pork as shown, based on supplier reported data, in the graph below:

| | FY23 | FY24 |
|---|-------|-------|
| Raised in Gestation Crate Minimization | 32.6% | 34.7% |

Costco’s goal is that suppliers be judicious in the use of antibiotics that are medically important to humans in our meat and poultry supply chains, which is consistent with our goal of protecting the health and welfare of our members. Our objective in the U.S. is that producers follow the U.S. Food and Drug Administration Veterinary Feed Directive (VFD) rule ([21 C.F.R section 558.6](#)) regarding administration of medically important antibiotics to food-producing animals. In Canada we ask that producers follow Canada’s [Responsible Use of Medically Important Antimicrobials in Animals](#). Medically important antibiotics are to be limited to therapeutic use only for the prevention, control and treatment of disease under the supervision of a licensed veterinarian in a valid veterinary client/patient relationship.

In 2024, we continued our engagement with a number of U.S. and Canadian suppliers. This year we have asked our suppliers to participate in [The Sustainability Insight System \(THESIS\)](#), which will give us a better understanding of our suppliers' animal welfare progress, including antibiotic use. 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 largely being a few 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.

Chicken Antibiotic Update

In FY24, our supplier-reported data showed that our Kirkland Signature™ chicken (defined as raw and frozen, sold in the meat case, rotisserie case and canned) sold in the U.S. was raised without routine use of antibiotics important to human medicine. Suppliers confirmed that they follow the Food and Drug Administration's regulations regarding the use of antibiotic administration for products delivered to Costco, including the Veterinary Feed Directed (VFD) rule and the Guidance for Industry #213. These regulations prohibit routine use of medically important antibiotics.

Monkeys & Coconut Harvesting

Costco does not support the use of monkeys for coconut harvesting. 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.

Nature & Biodiversity



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 areas 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. Pollinator health is also part of this effort.



Overview

Costco focuses on five key areas to promote nature and biodiversity: forests and land stewardship, biodiversity and pollinator health, regenerative agriculture, fisheries, and water.

Forests & Land Stewardship

As part of our commitment to sourcing in a way that is respectful to nature, we work with our suppliers to support good land stewardship practices¹ and avoid deforestation-linked sourcing. We recognize that deforestation is occurring at a rapid rate as natural forest landscapes are converted to land used for growing agriculture and livestock. These natural ecosystems provide high environmental and social value, including habitats for diverse animal species, carbon sinks and long-term livelihoods for people living in and near them.

¹ Good land stewardship practices include: avoiding deforestation and conversion of natural ecosystems, conserving or restoring natural ecosystems, protecting High Conservation Value (HCV) and High Carbon Stock (HCS) forests, requiring 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.

As a result, we are working to minimize deforestation-linked sourcing in seven key commodities in our Kirkland Signature supply chains that historically contribute to deforestation: palm oil, wood/pulp/paper, soy, cocoa, coffee, beef and rubber. We look at three different ways to measure and monitor for deforestation:

1. Third-party certification programs (e.g., Forest Stewardship Council, Rainforest Alliance, RSPO)
2. Deforestation and Conversion Free (DCF) monitoring programs (e.g., supplier sustainability programs)
3. Low-risk sourcing initiatives (e.g., avoiding sourcing from Brazil, Argentina, Colombia and Paraguay)

We use third parties to conduct materiality assessments every few years and we monitor and measure progress towards sourcing more responsibly on an annual basis. We plan to disclose details of a more comprehensive risk assessment for deforestation and conversion within our key supply chains in our December 2025 update.

In the meantime, we disclose more detailed information through our submission to [CDP](#), a global disclosure system.

Certified Fiber

Costco accepts forest management certifications from three leading organizations: Forest Stewardship Council® (FSC)², Sustainable Forestry Initiative (SFI) and Programme for the Endorsement of Forest Certification (PEFC), with a preference for FSC. These certifications ensure that forest ecosystems and communities are balanced with conservation efforts.

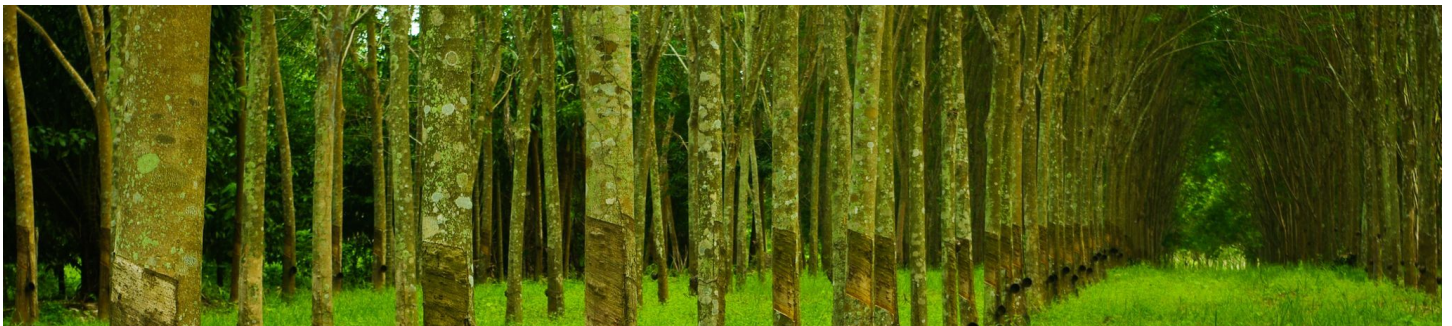


² Costco's FSC license code: FSC-N003307

Virgin and Recycled Fibers

Virgin and recycled fibers are essential for making products like paper, cardboard and bath tissue. Fiber products degrade after about seven recycling cycles, while virgin fibers are necessary for items requiring strength, softness, color and absorbency, such as premium bath tissue. However, we prioritize recycled fiber where feasible and where we believe it is a more sustainable alternative to virgin fiber. The final fiber choice will be determined by quality and food safety requirements, product specification and performance and legal requirements.

In contrast, recycled fibers are the best choice for making cardboard and packaging, which don't require as much softness or absorbency.



Biodiversity

We support biodiversity in many ways and examples include our [Pollinator Health Policy](#), supporting pollinator research, participating in the Equitable Food Initiative and our focus on MSC and ASC certification. Furthermore, we are exploring how to leverage the Taskforce for Nature-related Financial Disclosures (TNFD) to help us assess our risks and impacts on nature.

Pollinator Health Policy

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

Research and Pollinator-Friendly Agriculture Practices

Through the sales of Kirkland Signature honey, we provide funding to Project *Apis m.*, a non-profit organization that supports critical bee research, provides information on best forage practices for bees and offers resources for beekeepers and growers. We also work with our fresh produce and almond suppliers to encourage the planting of buffer zones to benefit pollinators and encourage the use of cover crops in California orchards, which also improves soil health. See this [Costco Connection article](#) for information on the [Seeds for Bees](#) program of [Project Apis m.](#)

In the American Midwest, we support The Bee and Butterfly Habitat Fund's Seed A Legacy Program, which promotes honey production and native pollinator conservation. See this [report](#) for more information or review our "Oils, Honey & Spices" page in the [Products section](#).

Equitable Food Initiative (EFI)

Costco supports the [Equitable Food Initiative \(EFI\)](#), which is a fresh produce multi-stakeholder effort that includes farmers, suppliers, buyers and NGOs to improve labor practices, environmental stewardship, food safety for workers, agricultural communities, businesses and consumers. As of FY24, there were 51 EFI-certified growers supplying Costco from 19 direct suppliers. EFI also collaborates with the IPM Institute of North America to analyze pesticide application records. Additionally, EFI addresses pollinator health by requiring certified operations to have:

- An implemented [Integrated Pest Management](#) plan that includes a stepped approach starting with biological controls followed by cultural, physical and chemical responses.
- Application records for conventional and open field operations to be entered into the [Pesticide Risk Tool](#) (PRT) to generate a risk assessment to guide spray decisions.
- A written justification for each application of a highly hazardous pesticide, aligned with their IPM plan and documenting risk management measures were implemented during application.
- Irrigation practices that limit erosion and uncultivated buffer strips to protect water habitats further.
- Records documenting their use of the [Cool Farm Tool \(CFT\)](#) to guide soil health improvements and the reduction of greenhouse gas emissions.
- Worker training for appropriate pesticide use.

Pollinator Friendly Products

We continue to expand our selection of organic products and alternative gardening products. Globally, we no longer offer weed and insect control products containing glyphosate, neonicotinoids or chlorpyrifos.



MSC / ASC Certification

We continue to increase the volume of MSC- and ASC-sourced seafood items we sell to support biodiversity by ensuring sustainable fishing and farming practices. MSC-certified fisheries are managed to avoid overfishing and reduce bycatch, which helps maintain the balance of ocean life. ASC-certified aquaculture operations are committed to transforming seafood farming to be more environmentally and economically sustainable using market mechanisms, improvement incentives and value-add services from farm to fork. Both these certifications contribute to the long-term preservation of marine species and ecosystems. To learn more about Costco's involvement with MSC and ASC, please review the "Fisheries" section below.

Regenerative Agriculture

Costco believes protecting and regenerating nature is imperative and the right thing to do. We encourage our suppliers to adopt regenerative agriculture practices, such as minimizing soil disturbance, increasing plant diversity, keeping soils covered and reintegrating animals into the land. These practices foster healthier soils, which are critical to long-term agricultural production because they reduce plant vulnerability, can improve crop production over time and may improve farm profitability. Increasing the organic matter in soil helps the land hold and retain more water, which is essential in times of drought or excessive rainfall. Regenerative agriculture also supports the livelihood of farmers across the country while helping to reduce carbon emissions.

Costco participates in various regenerative agriculture programs for various soy and corn supply chains, including Cargill RegenConnect®, ADM - Regenerations and Trutera. These programs focus on supporting farmer adoption of regenerative agriculture practices such as no till, reduced till and cover crops. Farmers are then paid for positive environmental outcomes, such as the amount of carbon sequestered in the soil. The goal is to enable farmer adoption of regenerative agriculture practices that provide positive environmental benefits, while helping farmers become more resilient.

For a related story, see “Climate Smart Organic Egg Project” in the “Eggs, Dairy & Plant-based Alternatives” page of the [Products section](#).



Photo courtesy of Cargill

Fisheries

Responsible sourcing in fisheries is more crucial than ever as global demand for seafood grows. Costco is committed to sourcing seafood in a sustainable way, focusing on products certified by the Marine Stewardship Council (MSC) and the Aquaculture Stewardship Council (ASC). We're increasing the availability of MSC- and ASC-certified seafood worldwide and supporting Fishery Improvement Projects (FIPs) and Aquaculture Improvement Projects (AIPs) to help fisheries meet these standards. You can learn more on the “Seafood and Aquaculture page” within the [Products section](#).

Fishery Improvement Projects (FIPs)

To help fisheries achieve MSC certification, Costco supports FIPs, a multi-stakeholder effort to improve fishing practices and management so that species, habitats and people can all thrive. We require FIPs to be reported on [FisheryProgress.org](https://fisheryprogress.org).

Fisheries Improvement Fund

A major barrier to the scalability of FIPs is the lack of long-term financing for improvements to fisheries. To address this challenge, Costco is supporting the [Fisheries Improvement Fund](#) (FIF), which provides funding for full implementation of FIPs. Managed by Finance Earth, the FIF is a new financing model integrating impact-driven finance with supply chain contributions. The FIF provides upfront and ongoing funding to FIP implementers for the duration of the FIP. As such, it allows for capital to be channeled at speed and scale towards addressing ecological and social issues in target fisheries, ensuring that fish stocks and fishing communities can reap the benefits of sustainable and resilient fishing into the future. Through the FIF, Costco is supporting a newly launched FIP in Chile's Central-Southern Region, providing crucial funding to support ocean sustainability and coastal livelihoods in one of the world's most productive and critical fisheries.

ASC & Costco Partnership

In 2024, Costco forged a strategic relationship with the ASC to promote environmentally and socially responsible aquaculture. The partnership aims to enhance industry practices while offering Costco members ASC-certified products that meet rigorous standards as well as engaging in mutually beneficial aquaculture projects.

As of FY24, we have expanded our global water strategy to include a water stewardship initiative that addresses water-related risks. We continue to take our own learnings from our operational experiences in water management to extend our approach beyond our operations to include engagement with stakeholders through focusing on shared watershed solutions. For more information about what we've done across our operational water strategy, please see the "Water Strategy" page within the [Operations section](#).

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

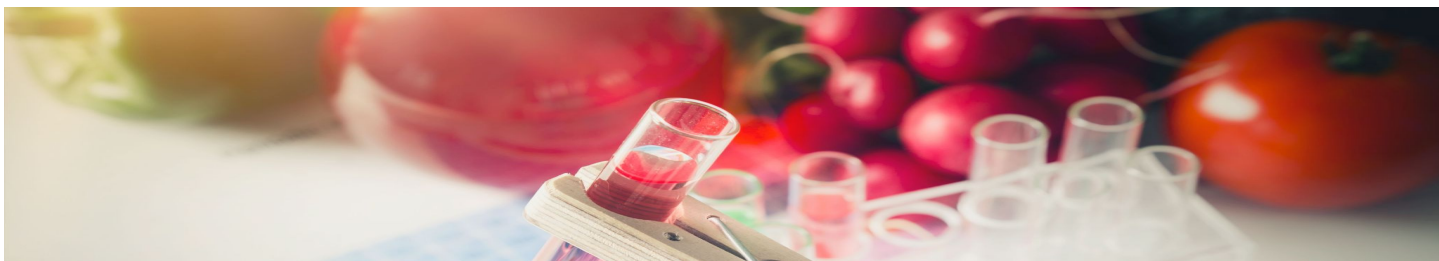
Costco tests many product categories worldwide for the chemicals regulated in the countries where we do business. The product categories include both private label and branded items which are tested annually or when changes are made to a program. Product categories tested include juvenile products, food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

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.

12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



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 |
|  | 135,413 | 52.7% | 28.8% |
|  | 31,512 | 12.3% | 6.7% |
|  | 1,767 | 0.7% | 0.0% |
|  | 50,307 | 19.6% | 5.1% |
|  | 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.



The Right Reduction

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.



STOP LIGHT LABELING

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

| GREEN | AMBER | RED |
|--|---|--|
| Biodegradable materials under environmental conditions; it is widely recyclable in Mexico. | Materials that are compostable or only recyclable in certain conditions or locations. | is not recyclable and recommended to change materials if possible. |

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

■ ■ ■ ■ ■ ■ ■ ■





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](#)



Kirkland Signature

KIRKLAND *Signature*

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 \$85 billion in sales in fiscal year 2024.

The Kirkland Signature Concept

Costco's mission is to continually provide our members with the best quality goods and services at the lowest possible prices. With Kirkland Signature, we're able to meet that mission in an exciting range of products. We're also able to focus on our sustainability goals with these products because in developing them we have better insight into the entire supply chain, including where the product comes from, environmental impacts, labor conditions, packaging and under what conditions it is produced. In developing Kirkland Signature items, we follow the principles of our sourcing strategy, which means the products:

- Are respectful of the people or animals who produce them.
- Are respectful of the environment in the way they are produced, grown, harvested, processed, transported and packaged.
- Are sourced from suppliers who are committed to reducing emissions related to their products and operations.

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; examine issues related to environmental impacts; list product origin information on the label; and help people in the supply chain receive a fair return, so that the product can succeed in the long term.

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.** Greenhouse gas (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 them, we are also encouraged by stories of success in the Kirkland Signature items to date. You can see several examples on our [Products page](#).

Innovation & Kirkland Signature

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.

Vertical Integration and Poultry Production. To meet growing member demands for our Kirkland Signature Rotisserie Chicken and fresh chicken in the meat case, Costco has a vertically integrated facility in Fremont, Nebraska. It is operated by Lincoln Premium Poultry (LPP), a wholly owned subsidiary of Costco with poultry experience.

In creating the chicken complex, Costco and LPP set out to build a vertically integrated facility 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 high animal welfare standards.
- Is environmentally responsible through on-site processes to manage water (including waste water), emissions, energy use and more.
- Provides our members with the highest quality product at the lowest possible price.



The 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. See information about these water savings on the “Managing Water” page in the [Operations section](#).

Facility Employees. The 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 is 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. See information about our Supplier Code of Conduct on the “Human Rights” page in the [People & Communities section](#).

Local Farmers and Growers. The complex relies on the support of approximately 100 farm families in the area to grow the chickens required for the successful operation of the complex. Key features 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), a feed management plan, technical expertise and veterinary services.
- Grower contracts allow for peer review for grower improvement programs and to resolve disputes.
- Growers are subject to strict animal welfare procedures audited by independent third party auditors, and biosecurity measures approved and monitored by the Nebraska and Iowa Departments of Agriculture. More information can be found on the “Animal Welfare” page in our [Merchandising section](#).

Local Grain. The feed mill sources corn and soybeans from local farmers, which adds another economic benefit to the region surrounding the chicken complex.

In-Country Production

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](#).

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 bath tissue and bottled water, which are now produced in numerous global regions.

The Canadian Commissary

Costco operates a 93,700-square-foot state-of-the-art facility in Vaughan, Ontario, to produce frozen baked goods that are shipped to U.S., Canadian and Mexican warehouses. The 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 high quality ingredients, allows us to lower the cost to our members. The commissary has been able to achieve approximately 97% yield on average from all lines, with the remainder shipped off-site and converted into animal feed. Utilizing bulk ingredient delivery systems also keeps the packaging of plastic and cardboard to a minimum. In addition, when requested, some of the packaging has been repurposed for creation of other products.

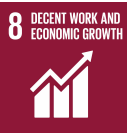


Reducing Food Waste

We continually search for creative opportunities to reduce food waste when producing Kirkland Signature items. Here are two examples:

- For tilapia items, for a more uniform thickness, Costco uses only the top loin for its frozen Kirkland Signature Tilapia Loins. This process leaves the thinner bottom loin of the tilapia as potential waste. Solution: It's used in frozen tilapia items found in Costco's freezer section such as High Liner Tortilla Crusted Tilapia and Trident Seafoods Panko Breaded Tilapia.
- Unused cashews from our whole nut program are used in other Kirkland Signature products such as our Kirkland Signature Cashew Clusters and Kirkland Signature Protein Bars.

Cocoa & Coffee



Kirkland Signature Cocoa

The Sassandra Program in Côte d'Ivoire

Our goal is to have our Kirkland Signature™ chocolate products made from cocoa sourced through programs that promote sustainable practices by December 2025. One way we are working toward that goal is through the Sassandra Cocoa program, which provides cocoa from Côte d'Ivoire. Founded in 2009, the Sassandra Program is named after the Sassandra River in the southwest region of Côte d'Ivoire and provides on the ground support to farmers through various social and agronomic practices. This is the original location of the cooperatives from where we source some of our cocoa beans for Kirkland Signature chocolate products. Since then, the program has expanded and remains exclusive to Costco.

The program 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 the program's cooperatives are audited by an independent third party. The program includes these components:

- Traceable and segregated cocoa
- Child Labor Monitoring and Remediation System coverage
- 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 programs

- Premiums paid for beans produced under the Sassandra program
- Cooperative development and training
- Improved production through financing and farmer training

Our annual review of this program shows progress in several areas, as shown in the graphic below. In particular, we see progress in deforestation prevention efforts through expanded polygon mapping and satellite monitoring, which allows the tracking of forest cover at a local level. Also, community development activities are expanding to more villages, with many of the programs aimed at training women for income-generating activities. For greater details on the Sassandra Program, review the [Côte d'Ivoire Report](#).



USAID Hearth Grant in Partnership with Rainforest Alliance

In partnership with the U.S. Agency for International Development (USAID), the Rainforest Alliance, and ofi, Costco has focused on investing in landscape-wide initiatives such as Resilient Ecosystems and Sustainable Transformation of Rural Economies (RESTORE) in Southwest Côte d'Ivoire. These efforts focus on restoring tree cover, protecting cocoa-growing forests and promoting climate-smart, productive and sustainable cocoa production methods. Additionally, this USAID Health, Ecosystems and Agriculture for Resilient, Thriving Societies (HEARTH) partnership emphasizes livelihood diversification, with a strong focus on gender and youth, while also providing support for capacity development and facilitating access to funds through village savings and loan associations. The partnership strives to reduce the risk of deforestation, restore tree cover of critical landscapes and increase income for farming families.

Cocoa & Child Labor Issues

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. Our goals through the Sassandra Program are to address this important issue through child labor monitoring and remediation programs; better education through new classrooms and basics such as school kits; and resources that help women in the communities. For more details on child labor in the Sassandra Program, review the Child Protection section of the [Côte d'Ivoire Report](#).

Cocoa & Deforestation

Costco supports efforts to eliminate deforestation in cocoa production. We are aware that Côte d'Ivoire has lost 80% of its forests in the past 50 years and that cocoa production is one of the drivers of that loss. We are funding the distribution and replanting of trees to help facilitate reforestation and agroforestry efforts, as shown in the graphic on the previous page.

Our goal is for all cocoa farmers in the Sassandra 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. An update on these goals and more details on the Sassandra Program can be found in the [Côte d'Ivoire Report](#).



Kirkland Signature Coffee

Costco offers numerous Kirkland Signature coffee items, which come from areas around the world. Our commitment is to use responsibly grown coffee and to maintain quality relationships with the farmers who supply it. That is why we focus our efforts in sourcing Kirkland Signature coffee from farms that are certified by one of these organizations: Rainforest Alliance, Fair Trade and/or Enveritas. More information can be found about these programs in our *Costco Connection* article, [Family Perks](#), as well this [Rwandan video](#) and [Guatemalan video](#).

In addition, Kirkland Signature Ground Colombian Coffee is nitrogen-flushed, allowing for a lighter can, which allows Costco to put fewer trucks on the road and to lower the product's carbon footprint. See this [nitrogen-flushed](#) graphic to see how that works. Also, we recently redesigned the can to reduce the amount of tin used, aligning with one of our packaging goals to reduce materials used.

Supplier Spotlight: Café William

Costco proudly supplies Café William coffee in select locations. This coffee company takes sustainability measures in the production of their coffee. Café William's new Wind Series Limited Edition, a single origin grown in Colombia's mountains by the Association of Indigenous Agroecology Producers (ANEI) cooperative, is organic and fully transported by sailboat to Quebec for distribution in Canada. The sailboat transports 50 containers of coffee at a time and reduces greenhouse gas emissions by leveraging wind power. They work closely with Fairtrade Canada-certified cooperatives and farmers committed to organic certification. Additionally, their beans are fully roasted with hydroelectric clean power, a new standard in the coffee industry. Café William recently started using zero-emission electric trucks for ground transportation as another effort in their commitment towards a cleaner supply chain and sustainable coffee. Their packaging also leverages post-consumer recycled material.



Eggs, Dairy & Plant-Based Alternatives



15

LIFE ON LAND



Kirkland Signature Eggs

Costco buyers work closely with egg producers domestically and internationally to bring quality Kirkland Signature™ eggs to our members at a fair price. Concerning organic eggs, we support several producers in converting conventional operations to organic. More information can be found in this [Wilcox Farms video](#).

Kirkland Signature Cage-Free Eggs

Costco is committed to providing cage-free shelled egg options for our members and we continue to work to increase the percentage of cage-free eggs we sell worldwide. More information can be found on the “Animal Welfare” page in our [Merchandising section](#) (under “Cage-Free Eggs”). In addition, Kirkland Signature™ Liquid Eggs are cage-free in the U.S.



Climate Smart Organic Egg Project

In 2024, one of Costco's Kirkland Signature organic egg suppliers, Handsome Brook Farms, launched the Climate Smart Organic Egg Project with a USDA grant. The initiative, supported by \$3.6 million in federal funding and \$2.8 million in matching funds from Handsome Brook Farms, aims to transform sustainable agriculture and tackle climate challenges in organic egg production.

Projects under the Climate Smart Organic Egg Project will be tailored to Handsome Brook Farms and each of their partner farm's unique needs and circumstances, fostering a flexible and adaptable approach to sustainability. These efforts include:

- Solar energy installations to reduce greenhouse gas emissions and energy costs.
- Energy-efficient lighting in barns to lower electricity use.
- Improved ventilation and manure management to cut ammonia and greenhouse gas emissions.
- Pasture enhancements to promote regenerative farming practices.



Kirkland
Signature
Milk

For the Kirkland Signature Organic Milk program, we have partnered with suppliers that provide high-quality milk at competitive prices. The story of one of these suppliers that 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 Alternatives

Costco understands that soy is a major driver of tropical deforestation in countries such as Brazil. For that reason and others, we 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 members additional Kirkland Signature plant-based alternative beverages sourced from oats, almonds and coconuts.

Fuel



All fuel at Costco is approved by TOP TIER™, including diesel offered at select locations. We continue to improve our offerings through technology that enhances performance and uses renewable inputs where available.



Kirkland Signature Gasoline

Our Kirkland Signature gasoline is formulated to clean your engine, helping 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.

Kirkland Signature Diesel

Our Kirkland Signature Diesel was the first diesel product approved by TOP TIER™ performance standards. Kirkland Signature Diesel keeps your injectors clean and helps your engine deliver optimal power and performance. In addition to deposit control additives, our diesel fuel includes additives that enhance cold engine startability and provide wear protection. These additives help improve combustion for easy start-up and smooth operation while protecting critical fuel system components from harmful wear.

All sites that sell diesel in California offer Renewable Diesel (RD). Renewable Diesel is a premium quality diesel made from sustainably produced raw materials such as animal fats, fish waste and various vegetable oils. During the refining process, all impurities are removed, which is the key difference from biodiesel, where impurities are not removed. Renewable Diesel is indistinguishable from conventional (petroleum-based) diesel fuel in its chemical composition and performance, and is also approved by TOP TIER™.

Fuel Stations

With many of our warehouses offering fuel stations, members can fuel their vehicles and shop in one trip, thus reducing their mileage and fuel consumption.

The fuel station equipment is designed to limit emissions arising from station operations and to contain gasoline vapor during bulk deliveries and the refueling process. Examples include:

- The nozzles are designed to create fewer spills and drips, resulting in less evaporation to air pollution and a cleaner fuel purchase.
- Costco is the first retailer to place tank pressure management systems in California to greatly reduce the emissions generated from the storage tanks during routine business. Similar systems are installed at other Costco stations all around the country.

In addition, our stations have corrosion-proof, double-wall underground storage tanks, piping and containment sumps that are continuously monitored to verify integrity and identify a potential leak long before it happens. Finally, our station attendants and management staff are trained and certified on safety and environmental issues.

Driving Value with Costco's Fuel Stations

Costco Fuel Stations prioritize quality, value, and efficiency. Costco's Kirkland Signature™ Fuel, approved by TOP TIER™, exceeds U.S. regulatory standards. Recently Costco enhanced its gasoline formulation to better cater to modern gasoline direct injection (GDI) engines (while still protecting all previous fuel injector technology vehicles currently on the road). This new formulation prevents harmful deposits, improving fuel economy and engine performance. Additionally, efficiency at the fuel stations includes wide lines, ample pumps, and streamlined payments via the Costco app. To learn more, check out the Costco Connection article, [Driving Value](#).



Electric Vehicle Charging Stations

Several Costco locations have charging stations installed, with over 200+ worldwide. We will continue to evaluate the need for additional charging stations at each of our locations and will install additional chargers as the population of electric vehicles increases.



Grains



Kirkland Signature Organic Chia Seeds



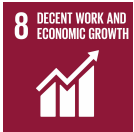
Kirkland Signature Organic Hemp Hearts

As we do with all of our Kirkland Signature™ items, we're working with our suppliers on sustainable practices in the production of our chia seeds. One of our chia seed suppliers, Organic TCL, is a good example of these efforts. Organic TCL focuses exclusively on organic crops and develops direct relationships with smallholder farmers. To continue growth in sustainable best practices, they offer two scholarships annually to students for agronomic engineering. Watch this [video](#) to learn more about the partnership between Organic TCL and Costco and an event benefiting the children of the chia seed producers in the Capiibary community in Paraguay.

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.

In Canada, our hemp hearts are supplied by [Manitoba Harvest](#), a certified [B-Corporation](#). Manitoba Harvest's hemp is grown without herbicides or pesticides. They work with growers to provide agronomic coaching for field selection, crop rotation and seed fertility practices, and to meet requirements for organic certification.

Learn more about Kirkland Signature Organic Hemp Hearts in these *Costco Connection* articles: [Hemp Hearts Buzz](#) and [Glutton for Gluten-Free](#).



Kirkland Signature Quinoa

Our Kirkland Signature Organic Quinoa is sourced from the Andean highlands, spanning both Bolivia and Peru. Our suppliers work with farmers on the ground to provide agronomic training and technical support focused on sustainable farming practices. These efforts are designed to enhance soil health, manage pests naturally, and improve crop yields, all while supporting resilience in the farming communities. Beyond agricultural practices, our suppliers also participate in projects for the local communities around health, nutrition and education.



Oils, Honey & Spices



8 DECENT WORK AND ECONOMIC GROWTH



Kirkland Signature Extra Virgin Olive Oil

Costco has a long history of supporting smallholder olive farms. Since 1996, we have directly supported thousands of smallholder farms in Tuscany to make high-quality Kirkland Signature™ Toscano PGI (Protected Geographical Indication) Extra Virgin Olive Oil. More information can be found in this [Tuscan Olive Oil video](#).

PGI signifies that:

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

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, providing proof that the oil is authentic and fully traceable to the source. 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](#).

8 DECENT WORK AND ECONOMIC GROWTH



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 are responsibly sourced.

15 LIFE ON LAND



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 cover the most significant environmental and social impacts of palm oil production. These include the immediate inputs to production, such as seed, chemicals and water, as well as social impacts related to on-farm labor and community relations. They also apply to environmental protections, such as no new plantings on peatlands, burning forests and clearing new areas.

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

RSPO-Certified Palm Five Year View

| Reporting Year ¹ | RSPO Certified - Physical Palm Oil ² | RSPO Certified - Book & Claim Palm Oil Credits | RSPO Certified ² |
|-----------------------------|---|--|-----------------------------|
| 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% |
| 2022 | 99.2% | 0.8% | 100% |
| 2023 | 99.8% ⁴ | 0.2% | 100% |

(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 2024, we reported 2023 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.

(4) 9.2% of our "Physical Palm Oil" was segregated or identity preserved.

More information can be found in our [Palm Oil Policy](#), the Annual Communication of Progress (ACOP) 2023 Report filed with [RSPO](#) and on the "Nature & Biodiversity" page of the [Merchandising section](#).



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, we source Kirkland Signature Soybean Oil, Kirkland Signature soy beverages and Kirkland Signature Vegetable Oil made from soybean oil from the U.S. and Canada.



Kirkland Signature Honey

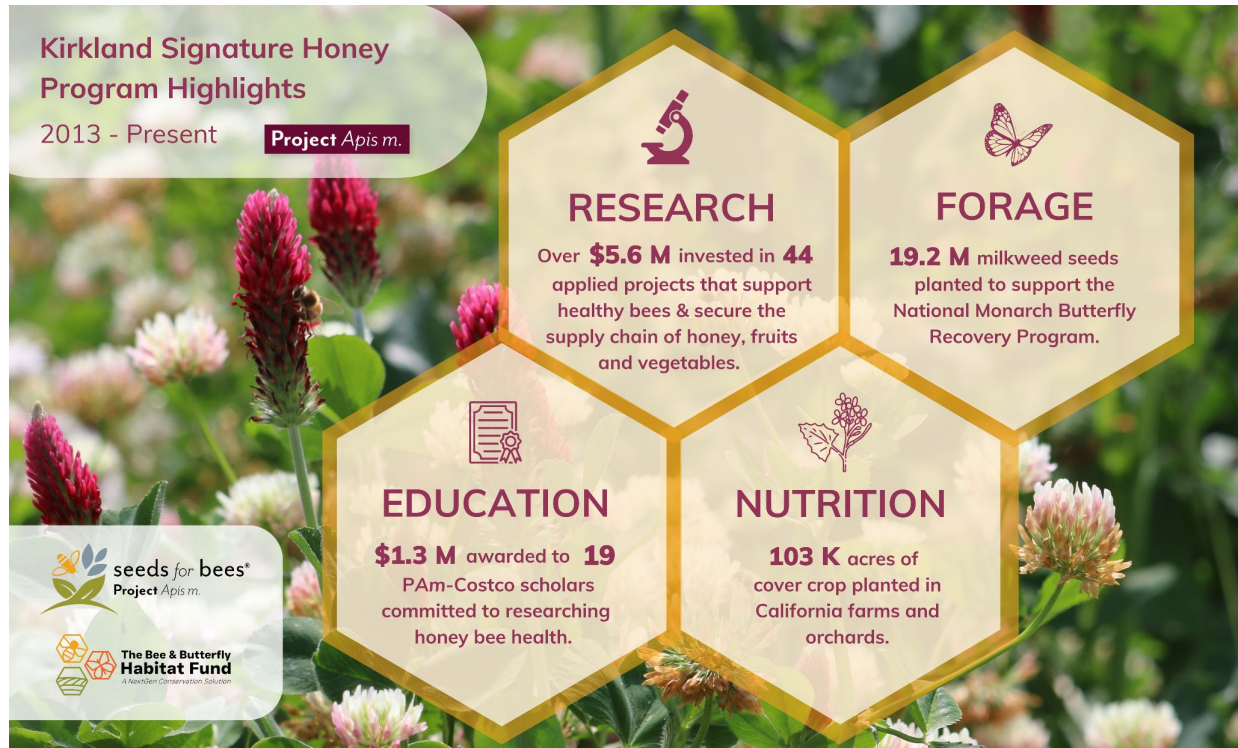
The honeybee population is facing multiple health threats. Honeybees are necessary for pollinating approximately one-third of food consumed, including fruit, nuts and vegetables. Since 2012, we have contributed a portion of the sales of Kirkland Signature Honey items to the nonprofit honeybee research organization [Project Apis m.](#) (PAm). The projects that Costco supports continue to expand. Here are some examples of the work we do:

- Long-term stock improvement efforts involve developing varroa-resistant bees (such as Hilo bees) for sustainable, chemical-free varroa control options and maintaining a sustainable genetic repository for honeybee germplasm to safeguard honeybee's genetic integrity and diversity against future health threats. Hilo bees had 37% more rentable colonies for pollination compared with control colonies. More information can be found here, [The Hilo Bee Project](#) and [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. You can learn more in this [case studies video](#).
- Seeds for Bees® Forage (SFB) puts blooming plants back on the agricultural landscape, helping bees get the nutrition they need to stay healthy, pollinate and make honey — all while improving soil health and water infiltration. Between 2013 and 2024, SFB provided cover crop seed and technical assistance for the planting of over 103,000 acres of cover crop in California farms and orchards. For more information, please view [The 2024 Seeds for Bees Impact Report](#).
- Ph.D. Scholarship Grants provide funds to scholars to support the future of honeybee research. The program recognizes and supports outstanding graduate students who are pursuing research-based doctoral degrees in fields within the PAm mission of enhancing honeybee health while improving crop production. More information about these scholars in the U.S. and Canada is summarized below and here: [PAm-Costco Scholars](#).



- [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. From 2017 to 2024, 5,000 acres have been planted, supporting an estimated 8,610 hives to produce 5.2 million pounds of U.S. honey. For more information, view [The 2024 Bee and Butterfly Habitat Fund Impact Report](#).



- Casa Apis is a cooperative of over 700 small-scale beekeepers in Northeast Brazil that is a source of Kirkland Signature Organic Raw Honey. Between 2020 and 2023, Costco provided a total \$100,000 grant to support efforts to plant drought-tolerant native trees in their community. Through Casa Apis’s efforts, survival and productivity have increased compared to regional averages in reforested areas. Costco continued to support these efforts and supplied Casa Apis with an additional \$47,000 grant in FY24. More information about the project with Casa Apis can be found here: [Casa Apis](#).
- Costco also offers an additional honey category: Local Raw Unfiltered Honey from various regions around the U.S.. More information can be found in the *Costco Connection* article, [Honeybee Health](#); in the [Merchandising section](#) (see “Nature & Biodiversity”); and at [ProjectApism.org](#).

Organics, Greenhouse Grown & Horticulture



Organics

Organic farming contributes to healthy land stewardship. Costco's selection of organic products continues to grow to meet our members' demands. Organic comprises 32% of our produce sales in the U.S. Examples of organic products 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 who help us grow and expand our organic offerings. These suppliers use field practices that 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.



Green- house Grown

Greenhouses are a form of sustainable agriculture that we continue to explore with our suppliers. We have worked closely with numerous suppliers to increase the amount of greenhouse-grown produce we source, and we plan to continue with this strategy. Greenhouse-grown agriculture offers many benefits, including less water and chemicals used and more productivity per acre. Greenhouses can also be strategically located, resulting in fewer transportation miles and fresher products.



Horti- culture

In sourcing Costco’s live goods (indoor and outdoor plants) and fresh flowers, we are mindful of the ecosystem impact of horticulture. Consistent with our sustainability principles, we look for opportunities to promote more sustainable practices, including limiting the use of chemicals, promoting pollinator health and ensuring decent and safe working conditions for those in the industry. For example, in the U.S. our cut rose heads are sourced from Rainforest Alliance certified farms in Colombia and Ecuador, which provide traceability back to the farm and ensure specific standards are met. Additionally, many of these rose suppliers support their local communities through scholarship programs and childcare centers. For more information about our Pollinator Health programs, see our “Nature & Biodiversity” page in the [Merchandising section](#).

Rainforest Alliance Long-Term Outcomes

- Livelihoods are improved and human rights are respected for farmers and farm workers, their facilities and local communities
- Forests and natural ecosystems are protected and restored, biodiversity and ecosystem services are conserved, and climate change is mitigated



Supplier Spotlight: The Elite Flower

In fiscal year (FY) 2024, Costco sourced some of its flowers sold in our U.S. locations from The Elite Flower - a supplier that grows flowers in Colombia. These flowers are Rainforest Alliance and FlorVerde certified, providing auditable assurance that they are produced sustainably, with a focus on protecting the well-being of people, communities and the environment. In 2000, the Fernando Borrero Caicedo Foundation was established to help enhance the well-being of Elite’s employees and their families. Funded by The Elite Flower and supported by customers like Costco, the foundation offers programs dedicated to adult education, university scholarships, physical and mental health programs, family counseling and children's education.



Protein & Plant-Based Alternatives



Sustainable Beef Production

Costco recognizes that beef production has an impact on the environment and, depending upon the practices employed, the impact may be negative, positive or somewhere in between. Costco encourages suppliers to support good land stewardship practices. In response to 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 these high-risk deforestation regions until comprehensive traceability and monitoring systems are in place. We have notified suppliers that Kirkland Signature™ items containing beef, including beef sold in our fresh meat cases, should not come from these regions. We engage with our buyers and suppliers to confirm compliance.

According to supplier reports for fiscal year (FY) 2024, 94.8% of the beef in Kirkland Signature items came from the U.S., Canada, Australia and New Zealand.

Costco is a member of the U.S. Roundtable for Sustainable Beef, with a mission to advance, support and communicate continuous improvement in the sustainability of U.S. beef production by educating and engaging the beef value chain through a collaborative multi-stakeholder effort. This organization facilitates the system-level change that is needed to address many of our environmental concerns.

Costco, in collaboration with others in the U.S., is exploring how we can support ranchers to evaluate their management practices with key indicators linked to economic, social, livestock and environmental outcomes.

Beef and Preserving 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.

Costco encourages suppliers to support responsible grazing, which helps maintain 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.



Plant-Based Alternatives

Costco is aware of the need for protein diversification as an additional way to address deforestation and climate change. We will continue to offer a selection of plant-based proteins as alternative protein offerings to our members. Some examples include plant-based burger patties from companies such as Beyond Meat and Impossible Foods.

Seafood & Aquaculture



© Jeff Siebert / WWF-US

Seafood is an essential food for people around the world. With growing global demand, and limited resources available, we want to ensure we're sourcing seafood in a responsible and sustainable manner.



Overview

At Costco, we have three primary objectives when it comes to seafood sourcing:

- Continuously improve the sustainability of our farmed (aquaculture) and wild seafood in ways that enable us to meet current demands without compromising the availability of future resources.
- Ensure the human rights, safety and dignity of the people who produce, process and harvest the products we sell.
- Protect our marine, coastal and freshwater ecosystems and limit the environmental impact associated with aquaculture and fishing practices.

We believe products certified by Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC) align with many of our sourcing objectives. We are continuing to increase the volume of MSC- and ASC-sourced seafood items we sell globally. We also support comprehensive Fishery Improvement Projects (FIPs) and Aquaculture Improvement Projects (AIPs), which help to meet MSC and ASC standards, respectively. These programs are explained below.

Our aim is to refrain from selling any seafood species that are on the International Union for Conservation of Nature (IUCN) endangered or critically endangered lists and/or CITES Appendix I or II, unless such species are sourced from MSC-certified fisheries or ASC-certified farms.

We review these policies annually and work closely with our suppliers to evaluate compliance. This includes our annual global supplier seafood survey, which helps us capture key information such as species, catch/farm origins, catch/farm methods and eco-certifications. We are also working on traceability initiatives to ensure we can understand the connection between the seafood we offer our members and the people and communities which help produce it.

Fisheries Scorecard FY24

| | |
|--|---|
| Wild seafood percentage | 64.7% is from a FIP or MSC-certified fisheries |
| Contribution to WWF to support FIPs¹ | \$544,260 from 2016 to 2024 |
| Farmed seafood percentage | 72.9% is from ASC-certified farms, or ASC certified |
| Contribution to WWF to support AIPs | \$479,930 from 2016 to 2024 |

¹ Previous number included administrative fees. The FY24 number was re-stated to exclude those fees.

Sourcing Practices: Wild Species

For wild species, we rely on the MSC certification process to ensure we are sourcing from fisheries that are sustainably managed. For fisheries to become MSC certified, they must:

- **Be a sustainable fish stock.** There are enough fish left in the water to reproduce indefinitely.
- **Have minimal environmental impact.** Fishing operations must maintain the structure, productivity, function and diversity of the marine ecosystem.
- **Have effective management in place.** Fisheries must comply with relevant laws and have a management system that allows it to respond quickly to changes in the status quo.



A Note on Wild King Salmon and Lobster

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.

Concerning lobster, we encourage the development and potential future use of on-demand fishing systems in lobster fisheries. These "ropeless" systems replace traditional line and buoy systems as a future solution for potential whale entanglements.

Restricted Wild Species

We do not sell wild species that have been identified to be at risk of becoming threatened or endangered, unless sourced* from MSC fisheries. Currently, those species are:

- Atlantic cod
- Atlantic halibut
- Chilean sea bass
- Greenland halibut
- Red grouper (*Epinephelus morio*)
- Redfish (sourced outside of U.S. fisheries)
- Shark
- Skates and rays
- Swordfish (sourced outside of U.S. fisheries)
- Bluefin tuna
- Atlantic Herring

*According to supplier reports

Fisheries Improvement Projects (FIPs)

To support fisheries reaching MSC certification, Costco is involved in a number of [Fishery Improvement Projects](#). These projects are alliances of stakeholders who work together to resolve aspects of the fishery that do not meet the MSC standard. Our involvement includes participation in FIP meetings, letters to governments and/or fisheries participants and financial contributions. We require FIPs to be verified and monitored as credible by publicly reporting on [FisheryProgress.org](#).

Costco works with the World Wildlife Fund (WWF) to support the following FIPs:

- [Spiny Lobster - Honduras](#)
- [Spiny Lobster - Nicaragua](#)
- [Mahi Mahi - Ecuador](#)
- [Mahi Mahi - Peru](#)
- [Jumbo Squid - Peru](#)
- [Araucanian Herring and Anchovy – Chile](#)
- Octopus – Mauritania (In Development)

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

Fisheries Improvement Fund

For several years, we have supported FIPs as an effective way to transition fisheries to more sustainable practices. But a major barrier to the scalability of FIPs is the lack of significant, long-term financing for fisheries improvement. To address this challenge, we are supporting a program that provides upfront funding for implementation of FIPs called the [Fisheries Improvement Fund](#). Designed and launched by the WWF and Finance Earth, the Fisheries Improvement Fund is a new financing mechanism combining impact-led finance with an innovative volume-based contribution mechanism for supply chain companies, ensuring FIPs can be fully funded while building sustainability into supply chains and unlocking finance for fisheries recovery at scale.

Fishery Success Story - Peru Mahi Mahi Longline FIP

Peru's mahi mahi fishery supports over 10,000 fishers and serves as a key link in the marine food chain, providing sustenance for sharks, dolphins, and other ocean predators. Peru is also a leading source of the world's mahi mahi, which it shares with Ecuador as the fish travel between the two nations' territorial waters. Critical issues challenging this fishery include the high number of unlicensed vessels in the fishery, and lack of effective national and international management of mahi mahi, a highly migratory species. The fishery also requires additional data on how fishing interacts with other species, including endangered sea turtles and sharks.

Costco has financially supported the Peru mahi mahi longline FIP since 2015. As part of this support, Costco has worked with its suppliers to encourage the Peruvian and Ecuadorian governments to agree to joint management measures for mahi mahi.



Canned Tuna

Suppliers of Kirkland Signature™ Canned Albacore Tuna 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 for compliance with ISSF conservation measures.

Also, Costco is a founding member of the [Seafood Task Force](#) (STF; see details below under “Farmed Shrimp”). All of our canned tuna suppliers are members. We review the product traceability and mapping to vessels of our Kirkland Signature canned tuna supply chains. Learn more about the STF’s work below (on page 10).

Partnership with Pacific Island Tuna Provisions (PITP)

Communities in the Western Pacific Islands hold tuna in high regard, both culturally and economically. To enhance environmental and social sustainability in the shelf-stable tuna supply chain, Pacific Island Tuna Provisions (PITP) was established in 2021. In 2024, Costco began working with PITP as a supplier for its Kirkland Signature Canned Albacore Tuna, aiming to support a more equitable system to build resilience to climate change through a unique cooperative business model. PITP is structured as a co-op owned by participating Pacific Island nations with an initial investment from the Nature Conservancy, a global environmental NGO. PITP profits are reinvested into the Pacific Island communities where the tuna is caught, with a portion dedicated to marine conservation and climate change resilience projects. Additionally, PITP will provide indirect benefits through local job creation, fair working conditions and the sustainable use of natural resources. PITP also requires human or electronic monitoring aboard all fishing vessels to prevent illegal, unreported and unregulated (IUU) catches from entering the tuna supply chain.



Photo of the Majuro Harbor in the Marshall Islands provided by PITP

Sourcing Practices: Aquaculture

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 responsible manner with reduced impacts on the environment and local communities.

In our sourcing, we work closely with organizations and initiatives committed to sustainable practices in aquaculture. These include:

- [Aquaculture Stewardship Council \(ASC\)](#): ASC sets a list of requirements that must be met for suppliers to gain certification. These include water quality, responsible sourcing of feed, disease prevention, animal welfare, fair treatment and pay for workers and more. ASC represents the most robust and credible aquaculture certification program.
- [Aquaculture Improvement Projects \(AIPs\)](#): Like a Fishery Improvement Project, an AIP helps producers improve their operations and meet ASC standards.

Here's a look at our sourcing policies related to popular seafood we offer at Costco.

Farmed Shrimp

Costco has been an active participant in implementing the ASC shrimp standards. These standards help to minimize key negative environmental and social impacts of shrimp farming. Our goal 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 AIPs.

More information about Costco's shrimp sourcing can be found in our July 2020 *Costco Connection* article, [No Small Feat](#), and [this article on ethical recruitment practices](#).



ASC & Costco Relationship

The ASC is a nonprofit organization leading the world's strictest certification and labeling program for responsibly farmed seafood, also known as aquaculture. ASC is committed to transforming seafood farming towards environmental sustainability and social responsibility using market mechanisms, improvement incentives and value-added services from farm to fork.

In 2024, Costco and ASC began a collaboration aimed at improving environmental sustainability and social responsibility in the aquaculture industry. Costco is dedicated to providing its members with ASC-certified options that meet environmental and social responsibility standards and engaging with ASC in mutually beneficial aquaculture projects.

Photo of the ASC Regal Springs Tilapia Farm



Farmed Salmon

Costco does not intend to sell genetically modified salmon. 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. Our approach is to work with our suppliers and the World Wildlife Fund to support a path to ASC certification. In Chile, improvements have focused on key issues, such as empowering local communities in salmon farming areas to better engage with companies on issues that impact them.

ASC Feed Standard

Farmed Pangasius

We are working with our suppliers on implementing the ASC Pangasius Standard. Our goal is to source pangasius from ASC-certified farms and suppliers.

Farmed Tilapia

Costco's intent is to only sell tilapia from farms and suppliers that are ASC certified. Costco encourages suppliers to work towards ASC certification.

We understand that aquaculture feed has an impact on wild fisheries and on feed ingredients sourced on land. We support the ASC Feed Standard, which tackles one of the biggest potential impacts of aquaculture, the production of feed, and does so in a holistic way by requiring responsible sourcing for all major feed ingredients.

The Feed Standard takes the ASC's approach to responsible aquaculture and extends it to the feed mills that manufacture fish and shrimp feeds, as well as the suppliers of their ingredients. These mills will be the facilities audited against the standard. The standard will also incentivize more feed mills to work toward certification and meet growing demand from ASC farms.

More information about ASC and its aquaculture feed standards can be found on this [website](#).



The Seafood Task Force

The Seafood Task Force (STF) has changed the way seafood supply chains are managed in Asia. The organization works to drive greater business confidence to trade in seafood products. Their focus is on a supply chain approach to social and environmental oversight where product from fishing vessels is tracked to feed mills where it is incorporated to feeds and on to shrimp farming, processing and export. To date, the STF has expanded from Thailand to India, Indonesia and Vietnam. It represents the largest volume of farmed shrimp and wild caught tuna in the world.



More information on the STF and recent developments can be found at the links provided below:

- [Seafood Task 10 Point Plan](#)
- [STF work with The Fair Hiring Initiative \(TFHI\) on Responsible Recruitment](#)
- [How STF's Step-By-Step and Practical Approach is Supporting Thailand Shrimp Farmers on the Ground](#)
- [STF Publishes Grievance Mechanism to Drive Worker Welfare Across Tuna Supply Industry](#)

Global Salmon Initiative (GSI)



Many of our farmed salmon suppliers have joined the [Global Salmon Initiative \(GSI\)](#) and launched a commitment to reaching 100% ASC certification. The GSI as a collective publicly reports on key indicators aligning with ASC which include the reduction in use of antibiotics and pesticides and the avoidance of wildlife interactions and farmed fish escape events. The group also works to catalyze progress toward continuous improvements in responsible sourcing of feed ingredients, including the reduction of the use of fishmeal and fish oil, plus commitments toward deforestation and conversion-free terrestrial feed ingredients.

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

Textiles & Cotton



Overview

Cotton Sourcing & Traceability

Organic Cotton

Cotton and textiles are an integral part of Costco's business, particularly within our apparel and home textiles offerings. We recognize some of the challenges in textile production (e.g., forced labor issues in the cotton industry, and environmental issues with producing synthetic fabrics) and as a result, we have focused on efforts to trace our cotton sources and ensure our items containing recycled textiles are certified to specific global standards.

Costco 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 the "Human Rights" page in our [People & Communities section](#). 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.

For our organic cotton products globally, manufacturers claiming organic cotton must either be certified by Global Organic Textile Standard (GOTS) or the Organic Cotton Standard if the cotton quantity is less than 70%. 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. The Organic Content Standard ensures that the organic cotton is maintained throughout the supply chain, from feedstock to final product, by combining chain of custody requirements with clear rules for the use of certified organic inputs and labeling claims.

Recycled Textiles

Recycled fabric technology continues to be popular in the textile industry, especially in light of sustainability goals in the apparel and home goods industries. Benefits of recycled textiles include lower energy usage in production and a reduction in the need for virgin materials. As a result, at Costco we look to source recycled textiles for our items, with the exception of recycled cotton. To ensure recycled textile claims are verified and validated, Costco requires one of the three approved certifications: the Recycled Claim Standard (RCS), the Global Recycled Standard (GRS) or REPREVE®.



Wood, Pulp & Paper



Our Approach

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 our members demand. To meet our goal of offering items that are responsibly sourced from forests, we accept 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. These certifications help to ensure that the needs of the forest ecosystems and their communities are balanced with conservation.

As described here, recycled fibers play a critical role in many of our products, such as our Kirkland Signature™ paper-based packaging. Where virgin fibers are preferred, such as our Kirkland Signature Bath Tissue, we seek to use fibers that are responsibly sourced.

¹ Costco's FSC license code FSC-N003307



Fiber-Based Packaging



Our packaging goals are to reduce the amount of packaging used, 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.

More information can be found on the "Packaging" page of the [Merchandising section](#).

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.



Product Focus: Kirkland Signature Bath Tissue

Kirkland Signature Bath Tissue is one of the most popular products sold at Costco. Its quality, price and convenient large packs make it an economical choice for families and businesses alike.

Given the enormous quantity of bath tissue we sell worldwide, we follow a very deliberate method to produce this product with forest conservation as the key goal.

Recycled fibers play important roles in making everyday products like paper and cardboard that don't require much softness or absorbency. We use these fibers to make up the majority of our Kirkland Signature paper-based packaging.

Virgin fibers offer strength, softness and absorbency — qualities that our members seek in premium bath tissue and similar products. After taking into account our members' preferences for quality and performance, as well as the availability of recycled content or alternative fibers, we choose to use virgin fibers in our Kirkland Signature Bath Tissue at this time.

In doing so, it's critical to note that we would not use virgin fibers in our products if we were not confident that they are responsibly sourced. This means that rigorous standards and processes have been followed in sourcing these materials, giving us confidence that the needs of the forest ecosystems and their communities are balanced with conservation.

For members who prefer paper products that don't use virgin fibers, we offer a selection of paper products on [Costco.com](https://www.costco.com) that utilize either post consumer recycled fiber or fiber alternatives.



Kirkland Signature 100% Product Certified FY24

Kirkland Signature
Product Type



| | | | |
|-------------------------------|--------------|--------------|--------------|
| Bath Tissue | 99.5% | 0.5% | |
| Paper Towel | 5.0% | 50.3% | 44.7% |
| Napkin | 20.6% | 79.4% | |
| Facial Tissue | 69.4% | 30.6% | |
| Parchment Paper | 100% | | |
| Gift Wrapping Paper | 100% | | |
| Photo/Copy Paper | 100% | | |
| Total by Certification | 70.9% | 16.9% | 12.2% |

Other examples include:

- All of the register tape used in our U.S. and Canadian warehouses is FSC-certified and is also phenol-free (no BPA or BPS). In 2023, we transitioned all member-facing gas station receipt paper to BPA- and BPS-free. In the calendar year 2024, we also transitioned the tank monitoring system receipts in the gas station huts to be phenol-free. Additionally, Japanese warehouse and gas station receipts now use fiber from FSC-certified sources. More information can be found on the “Chemical Management” page of the [Merchandising section](#).
- Many of Costco’s printed materials, such as our *Costco Connection* magazine and various promotional fliers, use certified fiber. The certification varies by product and region.
- Our U.S. warehouse pharmacy member bags contain FSC-certified recycled content.

WWF Forest Forward

Costco participates in the World Wildlife Fund's (WWF) Forests Forward initiative. Forests Forward is WWF's signature program for corporate action on nature, climate and people. It engages companies worldwide to help them reduce their forest footprint and support other on-the-ground actions to keep forests thriving. Together, WWF and Costco work to advance the implementation of Costco's [Forest Conservation Commitment](#). Within the program, WWF and Costco identify options for landscape investments in Nature-based Solutions (NbS), large-scale, integrated forest conservation and restoration projects in priority regions such as the Amazon and SE Asia, and opportunities to increase the availability of products backed by certified responsible forest practices. Additionally, Costco pursues collaboration and collective action with other Forests Forward participants.



FSC & 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. We continue to require that teak sold at Costco is 100% FSC-certified.

Costco has expanded FSC certification to other species of solid wood products, including FSC-certified cedar wood playsets, gazebos, outdoor furniture, indoor furniture and pavilions. We continue to expand our scope of FSC certification as we are committed to responsible wood sourcing.

To learn more about our product testing of the furniture products we sell, please visit the “Chemical Management” page of the [Merchandising section](#).



Climate Action Plan

Our 2024 Climate Action Plan shares an update on the progress we made this year and explains our future plans to advance our work on climate-related issues.



Introduction

Our approach to addressing our climate impacts is rooted in our sustainability principles, with a strong emphasis that we are learning as we go and seeking continuous improvement. This year's Climate Action Plan update is a reflection of that learning and progress we have made to address our impact on global climate change. This section outlines our efforts to reduce emissions across our business, build supply chain resilience, and reduce our environmental impact.

The viability of our Climate Action Plan depends upon many external factors that may be directly or indirectly beyond our control and include: our suppliers' ability to meet our expectations, socio-economic and public health risks, the direct and indirect impacts of global climate change on our operations and global value chain, changes in the international, national, and subnational 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, and the requisite supply of clean energy. Supply chain volatility, energy and commodity pricing, regulatory signals, shifting member preferences and stakeholder attitudes also are material factors that can impact our Climate Action Plan timeline. The data reported is compiled from sources that we believe are reasonable to rely on at the time of publication and may change as new information becomes available. Future reports may change accordingly.

Our Climate Action Plan:

Aligns with regulatory requirements and global standards: We incorporate regulatory requirements, certain global standards and industry guidance across measurement, disclosure and reporting and will continue to monitor evolving standards and guidance. These frameworks and standards continue to inform our approach to climate action.¹

Includes an accountability and governance model for climate progress: Costco's approach to climate reporting is evolving as the world and regulatory environment are changing. In 2022, we introduced our Task Force on Climate-Related Financial Disclosures (TCFD) report, and for fiscal year (FY) 2024 we have expanded our disclosure to better align with the European Sustainability Reporting Standards (ESRS) related to the European Corporate Sustainability Reporting Directive (CSRD). As a part of this transition, we are no longer annually updating our TCFD report, and its content is now integrated into the Climate Risk Statement which will become a part of our future CSRD reporting. Our new Climate Risk Statement can be found on the [Governance & Reporting section](#) of our Sustainability Commitment.



¹ While we have not adopted Science Based Targets, we actively consider SBTi's Corporate Net Zero Standard as a framework for ambitious climate strategy and will continue to utilize SBTi's guidance. Solutions must be operationally viable and fulfill our obligations to our shareholders, employees, members, suppliers and the communities we serve. Additional guidelines and frameworks we consider include the GHG Protocol Accounting & Reporting Standard, TCFD, TNFD, IPCC, COP, SDGs and CDP.

Provides transparent disclosure: Transparency and disclosure of our progress toward our climate goals are important. We believe in measuring our progress and sharing what we have learned with our community and stakeholders. We currently disclose climate and forest-related data to industry-wide forums, such as CDP, and we offer detailed information about our projects and efforts via our [Sustainability Commitment](#) website.

Supports a holistic approach to climate: We have aligned our sustainability efforts and initiatives related to climate using a holistic and integrated approach. Climate has a number of interdependent issues, in addition to emissions, that we consider. These include but are not limited to: water, forests, biodiversity and a just transition for people and communities. We continue to broaden our work on climate in a holistic manner and in fiscal year (FY) 2025, we will continue to implement our global water strategy, analyze biodiversity risk in our supply chains using the LEAP assessment framework, and work on understanding how we continue to drive a just transition forward.

Our programs are helping us make progress. Over the past few years, we have made strides in our climate journey. Our Scope 1 and 2 emissions work is more mature and has been bolstered with the inception of our STAR Program in 2021 (more information can be found on the “Environmental Compliance” page in the [Operations section](#) of our Sustainability Commitment). This work has helped us prepare for Scope 3 improvement in a way that resonates with our culture. To meet our decarbonization goals for Scopes 1, 2 and 3, we need our employees to contribute in innovative ways, from reinforcing programs that have been in place to changing practices going forward. This requires broadening awareness and learning and implementing new policies and procedures.

We have been able to use learnings generated from work on climate within our own direct control to inform our Scope 3 emissions strategy and approach. As a result, there are common themes to our approach across all scopes, such as broadening awareness, providing education, shifting toward clean energy, and focusing on resource efficiency and efficient transportation. In addition, our approach to reducing emissions is to set targets accompanied with pragmatic action plans that we believe will help us reach these targets.

Across the entire business, notable accomplishments of the past year include:

- Made progress overall on our Global Energy Strategy, with an emphasis on improving the Energy and Refrigeration programs globally through a revised STAR program.
- To make progress in Scope 2, continued to increase procurement of electricity from clean sources², which as of the end of calendar year 2023 represented 21% of our global purchased electricity.³
- Implemented a Periodic Emissions Checklist in all of our US locations, which guides management teams to review all of their refrigeration equipment to ensure they are working as they should.
- Revised our fugitive emissions strategy related to refrigeration based on updated technology and industry best practices.
- Introduced ENERGY STAR benchmarking to our STAR program, which helps our warehouse locations compare against similar buildings and learn about potential energy-saving opportunities.
- Launched our STEP program and strategy for reducing our supply chain emissions (see below).
- Reported all scopes for FY20⁴, FY21, FY22, and FY23 (all-third party verified) and our forestry data to CDP in October 2024 and participated in CDP Supply Chain, which requests our top 700 suppliers to disclose their Scope 1, 2, and 3 emissions to CDP.
- Invested in our technology and data infrastructure to build a platform for reporting and measurement across all scopes.

While our target to decrease Scope 1 and 2 emissions is based upon an absolute reduction and our target to decrease Scope 3 is based upon an intensity reduction, we disclose both our absolute and intensity emissions for all three scopes. We are a growth company and despite our growth, we are showing progress in our reduction efforts. Our emissions footprint across all three scopes for FY23 totaled 186M MT CO₂e, up only 1% from FY22 on an absolute basis and when looking at intensity basis, all three scopes decreased.

² Clean energy as defined by the U.S. Department of Energy (DOE) includes solar, wind, hydroelectric, geothermal, nuclear and bioenergy.

³ Purchased electricity is all sources of electricity including electricity delivered through the grid and self-generation.

⁴ For Scope 1 & 2 emissions, we reported and verified CY20 data until we aligned our verification to fiscal year in FY21.

Across our business, our emissions progress from the last year includes:

- Scope 1 emissions increased by 1.3%⁵ from FY22 to FY23, despite our sales and square footage growth outpacing that rate.
- Scope 2 market-based emissions, despite our growth, decreased 3% over the past year, driven by purchasing more electricity from clean sources.
- Scope 3 emissions increased 1%, despite a 7% merchandising sales growth.

Please note that we did update our Scope 3 Category 1 and Category 4 calculation methodologies in FY23 and consequently, re-baselined and re-footprinted our Scope 3 emissions for years FY20, FY21 and FY22 to incorporate this methodology change.⁶

Scope 1, 2, & 3 Emissions¹(MT CO2e) | Absolute Metrics

| Metric | Base year | | | |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | FY20 | FY21 | FY22 | FY23 |
| Scope 1 Emissions | 1,205,620 | 1,218,381 | 1,405,640 | 1,424,357 |
| Scope 2 Emissions | | | | |
| Market Based | 1,408,963 | 1,418,244 | 1,375,183 | 1,336,087 |
| Location Based | 1,457,413 | 1,428,751 | 1,425,977 | 1,455,121 |
| Scope 3 Emissions | 150,135,755 | 164,755,688 | 181,114,446 | 183,190,194 |
| Fuel | 55,425,128 | 61,635,511 | 75,056,928 | 80,457,069 |
| Non-Fuel | 94,710,627 | 103,120,177 | 106,057,518 | 102,733,125 |
| Total Emissions (Mkt Based) | 152,750,338 | 167,392,313 | 183,895,269 | 185,950,638 |

Scope 1, 2, & 3 Emissions¹(MT CO2e) | Intensity Metrics²

| Metric | Base year | | | |
|--|-------------|-------------|-------------|-------------|
| | FY20 | FY21 | FY22 | FY23 |
| S1 & S2 Intensity (MT CO2e / '000 Sq ft) Market | 18.1 | 17.5 | 18.1 | 17.3 |
| S1 & S2 Intensity (MT CO2e / \$M Net Sales) Market, inflation-adjusted | 16.0 | 14.3 | 13.9 | 13.5 |
| S3 Intensity (MT CO2e / \$M Net Sales) Company-wide, inflation-adjusted | 920 | 892 | 905 | 895 |
| S3 Intensity (MT CO2e / \$M Net Sales) Ex-fuel, inflation-adjusted | 636 | 615 | 614 | 576 |

¹ We updated our Scope 3 Category 4 methodology to cover all estimated emissions and our Scope 3 Category 1 to include Costco Travel

² We include an inflation adjustment in some of our metrics. The inflation adjustment is based on U.S. CPI-U Index: City Average All Items Less Energy published by the Bureau of Labor Statistics

⁵ While we saw decreases driven by decreased bunker fuel use, we saw increases in diesel transport for our fleet and overall company use of natural gas.

⁶ We updated our Scope 3 Category 4 methodology to cover all estimated emissions and our Scope 3 Category 1 to include Costco Travel.

Scope 1 & 2 Emissions

While we have made progress, we also recognize the challenges that we face as we continue towards achieving our goals. Competition for clean energy will become steeper based on supply and demand. This increase in demand will be driven by factors including the need for more data centers to support generative AI, regulations that require electrification of mobile fleets, consumer behavior shifts towards electric vehicles, and the need for more energy to cool and heat our facilities in light of more extreme weather (both hot and cold). Furthermore, the regulatory landscape may continue to shift regarding the level of support for climate-related investments. Areas in which we do not have direct control (e.g., our Scope 3 value chain) are yet subject to the decisions our suppliers make with respect to their own strategies and business objectives. We will continue to find creative ways to address these challenges as we execute our climate strategy.

We recognize the opportunity to decarbonize our global operations, from our warehouses to our depots and business centers. We also understand that climate and energy-focused efforts in our operations can create near and long-term business value through lower operating costs, reliable electricity from clean sources to supply our warehouses, depots and business centers, and more resilient infrastructure.

Our Scope 1 and 2 Reduction Target

We have committed to an ambitious Scope 1 and Scope 2 emission reduction target: 39% absolute reduction by 2030 compared to our 2020 base year. We have committed to operate with 100% clean energy sources by 2035. As we work towards these goals, we have been learning more about not only the opportunities in procuring electricity from clean sources, but also about the opportunities to consider alternatives to natural gas. To achieve these ambitious targets, we are evaluating, piloting and implementing a range of initiatives in our warehouses, expanding our procurement of electricity from clean sources and enhancing our framework to measure and monitor progress toward our goals.

Our Scope 1 and 2 Action Plan

Our Global Energy Strategy is the foundation of our Scope 1 and Scope 2 Action Plan. Led by select members of our executive leadership team, this cross-functional strategy focuses on five areas:

Energy Supply: Our priority is to purchase electricity from clean sources and integrate on-site energy generation systems when operationally and financially feasible. Since 2020, we have been using a portfolio-wide approach to procure, generate and use electricity from clean sources in our operations. We currently acquire source-specific power with the verified emissions-free certificates to reduce our Scope 2 emissions.

Energy Efficiency: Increasing the energy efficiency of our warehouses, depots and business centers is crucial to long-term decarbonization as well as creating energy cost savings and financial return on our investment. We are implementing programs to improve the efficiency of heating, ventilation, air conditioning (HVAC) and refrigeration systems, light fixtures and other aspects of our warehouse operations.

Refrigeration: Fugitive emissions is an area of continued focus to reduce the harmful impacts from hydrofluorocarbons and other gasses from the refrigeration systems in our operations. We are committed to accelerating the phase-out of HFCs and our investment in refrigeration retrofits to reduce refrigerant emission Global Warming Potential (GWP) by 30% by 2030 as compared to our 2020 baseline.

Transportation: We are exploring electrification for our transportation equipment where it makes financial and operational sense. This includes testing and deploying electric yard goats, exploring additional fleet electrification opportunities and using renewable diesel throughout our California depots and business delivery centers. For more information, see the “Transportation & Logistics” page in the [Operations](#) section.

Design & Site Selection: We understand the impact that the materials we use in the construction of our facilities and the locations we choose for our warehouses, depots and manufacturing facilities have on our carbon footprint and the natural environment. We continue to explore ways in which we can minimize our carbon footprint and environmental impact with our site selection, design and construction choices.

Where We Are Today

Numbers reported as of Calendar Year (CY) or Fiscal Year (FY) end.

| | CY22 | CY23 | CY24 |
|--|------|------|------------------|
| Purchased electricity from clean sources per calendar year | 19% | 21% | 23% ¹ |
| Sites enrolled for 100% electricity from clean sources per calendar year | 33 | 108 | 44 |

| | FY22 | FY23 | FY24 |
|--|-----------------|------|------|
| Diesel fuel replaced with renewable diesel (millions of gallons) per fiscal year | 0 | 2.4 | 7 |
| Retrofits of refrigeration systems with lower GWP refrigerants installed per fiscal year | 15 | 16 | 24 |
| CO2-based refrigeration systems installed per fiscal year | 10 | 7 | 13 |
| Energy-efficient LED lighting retrofits installed per fiscal year | NA ² | 142 | 112 |

¹ Projected value for calendar year 2024.

² Prior to FY23, we worked on energy-efficient lighting retrofits but did not track the numbers reliably.

Scope 3 Emissions

Costco is committed to doing our part to reduce emissions and improve the resilience of our supply chain. Scope 3 emissions, unlike Scope 1 and 2, are outside of our direct control. We will need to rely upon and partner with our suppliers to make substantial transformation. We have developed a comprehensive approach to our Scope 3 emissions in a program we call “STEP” focusing on four key pillars: Supplier Targets, Transition Agriculture, Energy Solutions and Packaging Solutions. Accompanying this program, we have also been working on a supplier engagement plan, education programs and IT infrastructure to support reporting and measurement.

Our Scope 3 Reduction Target

We estimate that our STEP plan will lead to a 20% reduction in our Scope 3 emissions intensity (inflation-adjusted) by 2030 from our baseline year of FY20, excluding fuel. We recognize that this Scope 3 reduction target is not fully aligned to a 1.5-degree pathway. That pathway is not currently achievable for us if we are to continue to provide for all of our stakeholders. However, we believe this is an ambitious yet achievable target based on existing technologies, and we continue to explore opportunities for further improvement.

While we are excluding fuel from the target, we have developed a separate climate transition plan for our fuel business (see below).

Our Scope 3 Action Plan

We believe that our STEP program helps orient our work on the areas of most meaningful impact. We hope our supplier efforts in reducing their Scope 1 and 2 emissions will lower our Scope 3 emissions and that we can learn from these successes to continue to drive change:

Supplier Targets: We recognize that our Scope 3 emissions are comprised of our suppliers' Scope 1, 2, and 3 emissions. We also recognize that many of our suppliers are working towards their own climate goals which will benefit the entire supply chain. We will be focusing on how we track and measure the progress of our suppliers and encourage them to set goals and targets. We'll also be providing educational support for those who may be newer to working on climate initiatives.



Transition Agriculture: A significant portion of our business is reliant on agriculture-based commodities, which are high carbon emitters. We are committed to supporting nature-based solutions, such as regenerative agriculture practices. These practices also have the benefits of protecting our soils, water and biodiversity as well as creating greater resiliency in times of more extreme weather events. We are also focusing our efforts on sourcing deforestation-free commodities, with a particular focus in cocoa, coffee, palm, soy, beef, and timber, as we recognize the importance of protecting our forests in addressing climate change. You can find more detailed information on our regenerative agriculture, deforestation and biodiversity programs in the “Nature & Biodiversity” page found in the [Merchandising section](#).

Energy Solutions: We sell items that consume energy. We believe that working toward greater energy efficiency with our suppliers and leveraging existing energy efficiency certifications (e.g., ENERGY STAR™) can help us to reduce our Scope 3 Category 11 emissions footprint. Furthermore, we are looking for ways to offer support to our suppliers regarding transitioning to clean energy within their supply chains.

Packaging Solutions: We have made progress on sustainable packaging over the years and will continue to make this a focus. We will continue to work with our suppliers to find ways to reduce unnecessary packaging, implement reuse models in operations, adopt lightweight packaging optimized for shipping efficiencies, and increase recycled content opportunities. You can find more detailed information on the “Packaging” page found in the [Merchandising section](#).

Where We Are Today

Since setting our intensity target in December 2023, we have worked on a number of initiatives and measured progress where available. We recognize that our work in Scope 3 is a long game but are excited to share some of the highlights from this last year.

- We saw an increase in supplier engagement with our CDP Supply Chain request. In 2023, we saw about 300 suppliers submit responses. In 2024, we saw 445 of our suppliers submit responses.

- To address deforestation in our key commodity supply chains, we have continued to emphasize the importance of purchasing certified product⁷ as many certifications support deforestation-free sourcing, which will help lower our Scope 3 emissions coming from land-use change.
- We invested in a number of regenerative agriculture pilots with Truterra, ADM and Cargill to support farmers' transition to regenerative agriculture practices.
- Our buying teams continue to look for opportunities to purchase energy efficient items. We increased our percentage of energy efficient⁸ items in our U.S. portfolio in relevant categories from 40% to 49.7% in the last year.
- We reached an all time high of an 82.1% waste diversion rate which helped us limit our Scope 3, Category 5 emissions in light of our growth.

Scope 3 | Breakdown by Business Segment¹

| Metric | Base year FY20 | FY21 | FY22 | FY23 |
|---|--------------------|--------------------|--------------------|--------------------|
| Upstream (MT CO2e) CAT 1 & 4 | 91,688,264 | 99,369,477 | 104,676,120 | 98,766,720 |
| Value Chain Operations (MT CO2e) CAT 2, 3, 5, 6, & 7 | 1,681,153 | 1,799,782 | 1,934,563 | 2,311,951 |
| Downstream (MT CO2e) CAT 9 & 11 | 56,766,338 | 63,586,429 | 74,503,763 | 82,111,523 |
| Total S3 Emissions (MT CO2e) | 150,135,755 | 164,755,688 | 181,114,446 | 183,190,194 |

¹ Categories 8 & 13 were considered out of scope due to materiality; Categories 10, 14, & 15 were excluded due to lack of applicability to Costco's business; Category 12 was excluded due to lack of data

Fuel Transition Plan

Emissions from our fuels business comprise ~40% of Costco's total emissions, largely Scope 3. We are taking actions to directly address these emissions, as outlined in this transition plan. At the same time, we will continue ensuring that our members have access to affordable and high-quality transportation fuels. Similarly, we're providing additional members with the necessary infrastructure to shift toward new lower-carbon transportation options such as EVs.

⁷ Certified product includes but is not limited to products that are certified by entities like: Fairtrade International, Fair Trade USA, Rainforest Alliance, FSC, PEFC, SFI, MSC, ASC, etc.

⁸ We qualify items that are ENERGY STAR and / or EPEAT certified as "energy efficient". We also include items that have product carbon footprints that are comparable to industry averages for ENERGY STAR and / or EPEAT certified items.

Overall Action Plan

We plan to take action across the entire span of the fuels business, including emissions upstream of the fuel station, at the fuel station and downstream of the station (e.g., combustion).

Upstream of the fuel station, our focus will be on procuring the lowest carbon intensity fuels available. We estimate that ~20% of fuel-related Scope 3 emissions stem from Costco's fuel supply, and can be reduced by purchasing from refineries that prioritize clean procurement and production. We are engaging fuel suppliers to better understand their carbon footprint, climate goals, disclosure protocols and carbon reduction initiatives. We also expect this engagement to encourage refineries to use cleaner production methods.

At the fuel station, we work on fuel station management practices and procedures to minimize our environmental impact while ensuring members have continued access to affordable transportation fuels. Our efforts to date, highlighted in the next section, reflect our commitment to reducing negative environmental impact while ensuring members have continued access to affordable transportation fuels. To build on this progress, we are exploring the use of microgrids to power fuel station operations where feasible, and maintaining a focus on purchasing and maintaining state-of-the-art fueling equipment to minimize spills and vapor loss.

Emissions are also driven by combustion of fuel in members' vehicles. To combat these emissions, we will continue to use and refine proprietary additives in all gasoline fuel grades, which could provide an emissions reduction vs. LAC fuels.⁹ We are also focusing on enabling members to shift toward lower carbon intensity transportation methods when they're ready. We are closely monitoring the market as new technologies evolve (e.g., battery electric vehicles, hydrogen fuel cell vehicles and plug-in hybrids) to provide our members with the infrastructure necessary to utilize their preferred transportation methods.

⁹ LAC = Lowest Allowable Concentration; results shown in scenarios where Kirkland Signature™ Gasoline was tested against the minimum U.S. government-mandated detergency gasoline. Outcomes vary based on driving behaviors, engine type and vehicle maintenance intervals.

To support our members who have already purchased EVs and to encourage those considering a purchase, we are expanding our EV charging offering, with plans to open fast chargers at 20-plus warehouses. Our first fast EV charging station opened in Denver, Colorado, in 2023, and is serving as a pilot site to explore how to best provide EV charging services.

Where we are today

Current efforts to minimize emissions and environmental impact include initiatives across the fuel station value chain:

Upstream of the fuel station

Fuel procurement: We procure only from refineries that are compliant with EPA Tier-3 regulations, resulting in some Kirkland Signature fuels containing lower sulfur content.

Biofuels: We offer R99 (99% renewable diesel, 1% USLD #2) at all California fuel retail sites providing diesel, and plan to expand R99 offerings in Washington and Oregon. Renewable diesel has up to a ~65% lower carbon intensity than petroleum diesel.¹⁰

Fuel delivery: We deliver ~35% of fuels after warehouse close times, which reduces delivery truck delivery times and resulting emissions. Additionally, over 40,000 fuel deliveries in 2023 were performed by carriers with 90% renewable diesel penetration or greater.



¹⁰ [California Air Resources Board](#), LCFS Pathway Certified Carbon Intensities, [DOE](#)

At the fuel station

Station design: Stations are designed with environmental protection in mind. We use double walled and electronically monitored underground tanks and piping, continuous remotely monitored leak detection with automatic shut down, oil and water separators, trained and certified full-time attendants, and best-in-class components throughout the station.

Fuel storage: We upgraded our fuel storage tanks to manage tank pressure and minimize release of gasoline vapors through the installation of 393 vapor management systems. Combined, these efforts equate to an estimated reduction of 1.5k tons of volatile organic compounds, 4.6k tons of CO₂ and 522k gallons of gasoline.

Spill management: We use dripless and spitless fuel nozzles that yield a 90% reduction in spills, with a corresponding reduction in volatile organic compounds released. Additionally, employing full-time attendants allows quick response to rare spills.



Downstream of the fuel station

EV charging: We offer over 200 EV charging stations, including locations in Canada, China, France, Korea, Spain, Taiwan, United Kingdom, and the U.S. Charger speeds range from 7 to 350 kWh, allowing members to charge a vehicle in ~30 minutes at our fastest locations.

Residential charging: We stock residential charging products, ensuring members can purchase hardware to enable home charging, with speeds allowing vehicles to fully charge overnight.

EV sales: The Costco Auto Program offers members more than 50 different EV models through the program's approved dealer network. To date, approximately 103,000 EVs have been purchased via the Costco Auto Program.

EV rentals: Costco Travel offers a selection of electric and hybrid rental cars through our rental car suppliers at a variety of locations in the U.S., Canada and Europe. While these rentals reflect a small percentage of Costco Travel's rental car business, the category continues to grow. For a rental car on CostcoTravel.com, members can filter their search results to show "Eco-friendly" options to include these car categories if available at the location they're renting from.

Electric micro-mobility: We sell multiple eBike models and eScooter models in the warehouse and on Costco.com.

Through all these efforts, our goal is to support a just transition by providing members with low-cost best-in-class fuels, and opportunities to purchase, charge and rent electric vehicles. As the energy transition progresses, we look forward to continuing to meet members' energy transportation needs for a variety of vehicle types.





CLIMATE RISK STATEMENT – CLIMATE CHANGE

FY24 Global Consolidated CSRD-IFRS Interoperable

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Introduction

Costco's approach to climate reporting is evolving as the world and regulatory environment are changing. We introduced our Task Force on Climate-Related Financial Disclosures (TCFD) report in 2022, and for fiscal year 2024 we have expanded our disclosure to better align with the European Sustainability Reporting Standards (ESRS) related to the European Corporate Sustainability Reporting Directive (CSRD).

As noted in our Climate Action Plan (CAP), for Costco to thrive, the world must thrive. Within this statement and linked documents, we explain our current work related to governance, strategy, risks and opportunities, and metrics for climate issues. As one of the largest retailers in the world, we understand our responsibility to act sustainably and the huge impact we have. We will continue to evolve our strategy as technology, challenges and opportunities present themselves, aligned with Costco's strategy. That is, we do not make commitments unless we see a responsible way to achieve them. Our actions and strategy are grounded in our Mission Statement and Code of Ethics, ensuring we continue to provide our members with quality goods and services at the lowest possible prices while obeying the law, taking care of our members and employees, respecting our suppliers, and rewarding our shareholders.

The key to our transition is the CAP. It outlines our initiatives, targets and progress.

Governance

ESRS 2 GOV-3

Board Oversight

Our Board of Directors oversees the efforts of executive management to create processes for managing risks and setting strategy. The Board implements its risk oversight responsibilities primarily through the Audit Committee, which receives management reports on the potentially significant risks that the Company faces and how the Company is seeking to control risk where appropriate. Board members also discuss risk as a part of their review of the ongoing business-, financial-, and sustainability-related activities of

the Company. In more limited cases, such as with risks of significant new business concepts and substantial entry into new markets, risk oversight is addressed as part of the full Board's engagement with the Chief Executive Officer and management.

Committees of the Board

The Nominating and Governance Committee exercises oversight regarding risks associated with corporate governance matters and certain issues relating to the Company's ethics, compliance programs, and environmental, diversity and sustainability policies and initiatives, including climate-related risks and opportunities. This committee receives yearly updates related to our sustainability efforts by our SVP over Sustainability who reports directly to our CEO. If significant sustainability-related items were to arise, the committee would be updated as needed.

The Audit Committee reports to the full Board on its risk-management tasks, including the enterprise risk management review which includes sustainability-related and climate risks.

The Compensation Committee determines the amount and form of compensation to executive officers, including (with the Nominating and Governance Committee) bonuses for meeting environmental and social objectives. Executive ESG bonus goals, which cover sustainable operations and merchandising, are set and reviewed annually. In fiscal 2024 this bonus was achieved, with over 80% of our quantitative and qualitative goals being met for the year.

Management's Role

Management of sustainability matters is led by our Senior Vice President of Global Sustainability and Compliance, who reports to the CEO and regularly engages with the Board and executive team, including periodic updates at monthly meetings of our global executive teams. The Senior Vice President of Global Sustainability and Compliance also chairs the ESG (Environmental, Social and Governance) Executive Advisory Council, which brings together executive leaders from across the company twice a year to chart goals and ESG strategy.

Climate-related impacts, risks and opportunities are also considered in our company-wide enterprise risk management assessment and in our strategy-setting and decision-making processes. We have various management committees and working groups from relevant teams that set strategy regarding our business and provide updates on progress on current initiatives.

Global Energy Task Force: Sets strategy for reductions in energy consumption and emissions; identifies, approves, and prioritizes energy-reduction initiatives; and monitors progress, including returns on energy-reduction investments. The task force comprises Sustainability, Construction, Human Resources, Purchasing and International executives and meets twice a year. This task force is supported by a cross-functional working group, which meets periodically for updates on individual initiatives.

ESG Reporting Steering Committee: Oversees ESG reporting requirements and monitors company initiatives for reporting purposes. The committee meets periodically and comprises Financial Reporting, Energy, Legal, IT, Sustainability, Internal Audit and International teams. This committee is supported by a dedicated ESG Reporting team.

Executive and senior management hold ad hoc meetings to discuss sustainability-related matters as they arise. In FY24, meetings included discussions on enterprise risk management and climate-related risks, credits and incentives, human rights and merchandising.

The below diagram shows how the Board and related committees, management and working groups work together.

Board of Directors

Oversees Management,
Which is Responsible for Risk Management and Strategy

Compensation
Committee

Oversees ESG-Related
Executive Compensation

Nominating and
Governance Committee

Oversees ESG Risks
and Compliance

Audit
Committee

Oversees
ERM

Executive Leadership

Identify, Evaluate, Manage, and Mitigate Risks and Set Strategy

ESG Executive Advisory Council

Discuss Climate-Related Impacts, Risks, and Opportunities

Global Energy Task
Force

Energy Strategy

ESG Reporting
Steering
Committee

ESG Reporting

As Needed
Working Groups

Sustainability-
related Issues

Implements
Board's
Risk
Initiatives

Remuneration

We have aligned a portion of our executive compensation with ESG priorities and climate-related considerations through our Executive Bonus Plan. Climate-related considerations include reductions in global energy intensity, and Scope 1 and 2 emissions intensity against sales, global operational participation in both energy and emissions reduction initiatives, supplier action through CDP reporting participation and product certification through ENERGY STAR™ or equivalent programs. More details on remuneration can be found in our proxy statement.

Climate Transition Plan

ESRS E1-1, E1-3, E1-4

Over the past few years, we have continued to be efficient and identify decarbonization opportunities. Our climate and energy-focused efforts can create near-term and long-term value by lowering operating costs, securing reliable clean electricity supply and building a more resilient infrastructure. Our approach to reducing emissions is to set targets accompanied with a pragmatic action plan.

The viability of our plan depends upon many external factors that may be beyond our control and include: our suppliers' ability to meet our expectations, socio-economic and public health risks, the direct and indirect impacts of global climate change on our operations and global value chain, changes in 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, and the availability of clean electricity. The data reported below is compiled from sources that we believe are reasonable to rely on at the time of publication; values may change as new information becomes available and future reports may be adjusted accordingly.

Alignment to Business Model

Our business is within the scope of EU Paris-Aligned Benchmarks, Commission Delegated Regulation (EU) 2020/1818. To learn more about our reduction targets, please review our [Climate Action Plan](#).

Climate Change Policies

E1-2

Our [Climate Action Plan](#) covers Costco's global response to climate change and our policies around climate change mitigation, adaptation, energy efficiency and clean electricity deployment. Costco management is accountable for implementation of our sustainability initiatives.

In Our Operations

Scope 1 and 2 Reduction Target

| Scope 1 & 2 - Total Operations | |
|--------------------------------|-------------------|
| Reduction Target | 39% |
| Reduction Target Year | 2030 |
| Base Year | 2020 |
| Base Value | 2,615,000 MT Co2e |
| FY 23 Performance | 2,760,000 MT CO2e |
| Scope Split | None |
| Covered Gasses | CO2, CH4, N2O |
| External Assurance | None |

We have committed to a 39% absolute reduction in Scope 1 and 2 emissions by 2030 compared to our 2020 base year. Our emissions data was calculated following the GHG Protocol and has been verified to a limited level of assurance through FY23. The scope of this target aligns with Costco's emissions reporting boundary applying the operational control approach. Progress towards this goal is reported annually.

We continue to incorporate stakeholder feedback as we review our progress. Five decarbonization levers were identified through reviewing our operations, along with historical performance, current and upcoming technological advances, and aspirational reach. The target was set estimating continued business expansion and the projected net impact of the decarbonization levers. Though we used

science-based evidence as a guide, we do not adhere to the requirements determined by the Science-Based Targets Initiative

(SBTI) because we do not see a feasible path to meet a net-zero 2050 target. For more information on the decarbonization levers, see the [Climate Action Plan](#).

In Our Value Chain

Scope 3 Reduction Target

| Scope 3 Categories 1 (excluding fuel), 2, 3, 4, 5, 6, 7, 9 and 11 (excluding fuel) | |
|--|--|
| Reduction Target | 20% |
| Reduction Target Year | 2030 |
| Base Year | 2020 |
| Base Value | 636 MT CO ₂ e/ '000M USD |
| FY 23 Performance Against Target | 576 MT CO ₂ e/ '000M USD |
| Scope Split | N/A |
| Covered Gasses | CO ₂ , CH ₄ , N ₂ O |
| External Assurance | None |

Costco is committed to doing our part to reduce emissions and improve the resilience of our supply chain. Scope 3 emissions are 98% of Costco’s total carbon footprint and unlike Scope 1 and 2, are outside of our direct control. We rely upon and partner with our suppliers to make substantial transformation.

We have a 20% reduction target in our Scope 3 emissions intensity (inflation-adjusted) by 2030 from our baseline year of FY20, excluding fuel.¹

We determined our intensity target through identifying product categories that contribute most significantly to our emissions footprint and researched relevant potential decarbonization

actions and estimated the resulting net impact on emissions. Though we used science-based evidence as a guide, we do not adhere to the requirements determined by the Science-Based Targets Initiative (SBTI) because we do not see a feasible path to meet a net-zero 2050 target.

¹ Emissions from our fuels business comprise around 40% of Scope 3 emissions.

A majority of our Scope 3 emissions come from Category 1 (Purchased Goods and Services) and Category 11 (Use of Sold Product). For Category 1, our emissions are highly concentrated in livestock, agriculture (including some crops that drive deforestation) and manufacturing of the items we sell. For Category 11, our fuel sales are the predominant contributor.

Our approach to Scope 3 emissions focuses on four key pillars: supplier targets, transition agriculture, energy solutions and packaging solutions. Underpinning these pillars will be a supplier-engagement plan, education programs for our merchandising teams, and IT infrastructure to support reporting and measurement. For more information on the decarbonization levers, see the [Climate Action Plan](#).

Fuel Transition Actions

We expect that in the long term, advances in technology and changes in member habits will reduce emissions associated with our fuel sales. As the energy transition progresses, we seek to meet members' energy transportation needs for a variety of vehicle types, including opportunities to purchase, charge and rent electric vehicles. For more information, see the Fuel Transition Plan section of our [Climate Action Plan](#).

Significant Expenditures and Funding Strategy

We do not believe that the Company will need to raise additional funds to implement our Climate Action Plan. Our strategy relies partially on grants, tax incentives and rebates offered for clean electricity and efficiency projects and cost savings from initiatives described above. Our incremental spending in this area has been immaterial to our financial results.

Risks & Opportunities

E1-SBM-3, E1 IRO-1

Our Climate Risks & Opportunities

Our approach to addressing our climate impacts is rooted in our sustainability principles, with a strong emphasis that we are learning as we go and seeking continuous improvement.

As of the end of 2024, we are in the process of our first double materiality assessment to identify material impacts, risks and opportunities through our value chain. In 2025 we will disclose the results of our double materiality assessment. We previously completed a climate-related scenario analysis in 2022 and created an inventory of climate-related risks and opportunities related to our business. Please see our [FY23 TCFD](#) report for further information on these risks and opportunities.

Scenario and Resilience Analysis

We are updating our scenarios to be disclosed for FY25. For more information on Costco's past scenario analysis, see our [FY23 TCFD](#) report.

Metrics and Targets

E1-5, E1-6, E1-7, E1-8, E1-9

Our Climate Impact

We annually prepare our Scope 1, 2 and 3 greenhouse-gas emissions (GHG) emissions inventory to assess our operations' and value chain's impact on climate change. Our GHG emissions inventory is governed by definitions set forth by the Intergovernmental Panel on Climate Change (IPCC) and meets standards and practices as established by GHG Protocol Corporate Accounting and Reporting Standard of the World Resource Institute (WRI) and World Business Council for Sustainable Development (WBCSD).

Costco uses the operational control approach as defined in the GHG Protocol Corporate Standard for determining the organizational boundary. Our inventory is prepared based on our 52/53-week fiscal year, comprising thirteen four-week periods that generally end on the Sunday nearest the end of August. Our inventory includes emissions from carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O) and hydrofluorocarbons (HFCs). We do not generate emissions of perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆), and these are excluded from our inventory. We apply 100-year Global Warming Potential (GWP) values from the Fifth Assessment Report of the IPCC for calculating CO₂ equivalent emissions.

For Scope 1 emissions, we apply the most recent EPA factors available. For Scope 2 emissions, we apply country-specific emission factors and use factor versions that correlate to the underlying activity (e.g., 2022 factors for calendar year 2022 energy usage and 2023 factors for 2023). If a country does not publish emission factors, we rely on factors reported by the International Energy

Agency (IEA). For Scope 3, we apply EPA Supply Chain GHG Emission Factors and the UK Government GHG Conversion Factors along with supplier-specific factors when available.

Our emissions data are reviewed by our ESG Reporting, Global Sustainability and Compliance, and Energy Purchasing departments. Our Scope 1, 2 and 3 emissions are verified to a level of limited assurance by an independent verification firm in accordance with ISO 14064-3.

| Scope 1, 2, & 3 Emissions (MT CO2e) Absolute Metrics | | | | | |
|---|---------------------------|-------------|-------------|-------------|-------------------------------|
| Metric | FY20 Base year | FY21 | FY22 | FY23 | % Change from Base |
| Total Emissions, Location | 152,798,788 | 167,402,820 | 183,946,063 | 186,069,672 | 1.2% |
| Total Emissions, Market | 152,750,338 | 167,392,313 | 183,895,269 | 185,950,638 | 1.1% |
| Scope 1 Emissions | 1,205,620 | 1,218,381 | 1,405,640 | 1,424,357 | 18.1% |
| % from regulated emission trading schemes | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Scope 2 Emissions | | | | | |
| Market Based | 1,408,963 | 1,418,244 | 1,375,183 | 1,336,087 | -5.2% |
| Location Based | 1,457,413 | 1,428,751 | 1,425,977 | 1,455,121 | -0.2% |
| Scope 3 Emissions | 150,135,755 | 164,755,688 | 181,114,446 | 183,190,194 | 22.0% |
| Fuel | 55,425,128 | 61,635,511 | 75,056,928 | 80,457,069 | 45.2% |
| Non-Fuel | 94,710,627 | 103,120,177 | 106,057,518 | 102,733,125 | 8.5% |
| Significant Scope 3 Emission Categories | | | | | |
| 1 - Purchased goods and services, incl. fuel | 81,452,657 | 87,177,001 | 92,182,585 | 88,628,326 | 8.8% |
| 11 - Use of sold products, incl. fuel | 55,491,965 | 61,796,473 | 72,632,847 | 80,524,565 | 45.1% |

| Other Scope 3 Emission Categories | | | | | |
|--|--|------------|------------|------------|--------|
| 2 - Capital goods | 721,026 | 602,440 | 650,086 | 1,140,516 | 58.2% |
| 3 - Fuel and energy-related Activities | 425,358 | 600,511 | 652,117 | 525,242 | 23.5% |
| 4 - Upstream transportation and distribution | 10,235,607 | 12,192,476 | 12,493,535 | 10,138,394 | -0.9% |
| 5 - Waste generated in operations | 137,098 | 147,347 | 154,140 | 168,689 | 23.0% |
| 6 - Business traveling | 8,352 | 5,420 | 10,411 | 17,394 | 108.3% |
| 7 - Employee commuting | 389,321 | 444,064 | 467,809 | 460,110 | 18.2% |
| 9 - Downstream transportation | 1,274,373 | 1,789,956 | 1,870,916 | 1,586,958 | 24.5% |
| Excluded Scope 3 Emission Categories | | | | | |
| 8 - Upstream Leased Assets | Leased equipment and facilities are included in Costco's Scope 1 and Scope 2 GHG emissions inventory. Immaterial GHG impact related to 3PL facilities. | | | | |
| 10 - Processing of Sold Products | All manufacturing or processing of products are performed by suppliers or captured in Costco's Scope 1 and 2 inventory. | | | | |
| 12 - End-of-life Treatment of Sold Products | Data inadequacy: no established methodology and data sources for calculating this for a retailer. | | | | |
| 13 - Downstream Leased Assets | Immaterial GHG impact related to five owned facilities leased to third parties. | | | | |
| 14 - Franchises | Not relevant to Costco's business model as Costco does not operate any franchised locations which would fall under this category. | | | | |
| 15 - Investments | Not relevant to Costco's business model as Costco is not a private or public financial institution, nor does it have any subsidiaries, associate companies or joint ventures for which Costco has operational control and are not already captured in Scope 1 and 2. | | | | |

Biogenic Emissions

| Metric | FY20 | FY21 | FY22 | FY23 | % Change from Base |
|----------------------------|-----------|-----------|-----------|-----------|--------------------|
| Scope 1 Biogenic Emissions | 0 | 0 | 0 | 0 | 0.0% |
| Scope 2 Biogenic Emissions | 0 | 0 | 0 | 0 | 0.0% |
| Scope 3 Biogenic Emissions | 1,149,774 | 1,307,592 | 1,245,828 | 1,827,685 | 59.0% |

Intensity Metrics: Value Chain Emissions

| Scope 1, 2, & 3 Emissions Intensity Metrics | | | | | |
|--|---------|---------|---------|---------|--------------------|
| Metric | FY20 | FY21 | FY22 | FY23 | % Change from Base |
| Net Sales (\$M) | 163,220 | 192,052 | 222,729 | 237,710 | 45.6% |
| S1 & S2 Intensity (MT CO2e / \$M Net Sales) Market, inflation-adjusted | 16.0 | 14.3 | 13.9 | 13.5 | -15.8% |
| S1 & S2 Intensity (MT CO2e / '000 Sq ft) Market | 18.1 | 17.5 | 18.1 | 17.3 | -4.6% |
| S3 Intensity (MT CO2e / \$M Net Sales) Company-wide | 920 | 858 | 813 | 771 | -16.2% |
| S3 Intensity (MT CO2e / \$M Net Sales) Ex-fuel, inflation-adjusted | 636 | 615 | 614 | 576 | -9.4% |

Energy Consumption and Mix

| Energy consumption and mix (MWh) | | | |
|--|------------------|------------------|-----------------|
| Metric | FY22 | FY23 | % Change |
| Fuel consumption from coal and coal products | 0 | 0 | 0.0% |
| Fuel consumption from crude oil and petroleum products | 1,240,037 | 1,256,806 | 1.4% |
| Fuel consumption from natural gas | 2,321,483 | 2,414,992 | 4.0% |
| Fuel consumption from other fossil sources | 0 | 0 | 0.0% |
| Consumption of purchased or acquired electricity and heat from fossil sources | 3,880,441 | 3,799,066 | -2.1% |
| Total fossil energy consumption | 7,441,961 | 7,470,864 | 0.4% |
| <i>Share of fossil sources in total energy consumption (%)</i> | <i>96.5%</i> | <i>93.5%</i> | <i>-3.2%</i> |
| Consumption from nuclear sources | 0 | 140,837 | |
| <i>Share of consumption from nuclear sources in total energy consumption (%)</i> | <i>0.0%</i> | <i>1.8%</i> | |
| Fuel consumption from renewable sources, including biomass | 0 | 0 | 0.0% |
| Consumption of purchased or acquired electricity and heat from renewable sources | 204,620 | 297,973 | 45.6% |
| Consumption of self-generated non-fuel renewable energy | 61,808 | 80,798 | 30.7% |
| Total renewable energy consumption | 266,428 | 378,771 | 42.2% |
| <i>Share of renewable sources in total energy consumption (%)</i> | <i>3.5%</i> | <i>4.7%</i> | <i>37.1%</i> |
| Total energy consumption | 7,708,389 | 7,990,472 | 3.7% |

Intensity Metrics: Energy Consumption and Mix

| Metric | FY22 | FY23 | % Change |
|---|---------|---------|----------|
| Net Sales (\$M) | 222,729 | 237,710 | 6.7% |
| <i>Net Sales from high climate impact sectors (\$M)</i> | 222,729 | 237,710 | 6.7% |
| Energy intensity (MWh / \$M Net Sales) | | | |
| Total, high climate impact sectors | 35 | 34 | -2.9% |

GHG Removals and GHG Mitigation Projects Financed Through Carbon Credits


E1-7

We do not currently operate or contribute to GHG removals or storage projects, nor do we participate in GHG removal or mitigation projects financed through carbon credits. Opportunities for GHG removal or storage projects are reviewed by our Global Energy Task Force to evaluate terms of the proposal, actual impact to operations and return on investment. We do not purchase offsets or carbon credits.

Internal Carbon Pricing

E1-8

We have not adopted an internal carbon pricing program.



Governance & Education

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

Governance

Sustainability is a focus of Costco's Board of Directors, with primary responsibility delegated to the Board's Nominating and Governance Committee under its charter. Regular reporting to our Board and the Committee occurs throughout the year.

On the management side, Costco's sustainability strategy continues to be led by our Senior Vice President of Global Sustainability and Compliance, who reports directly to the CEO and regularly engages the Board and executive team, including updates to our global executives at our Budget Meetings (structured meetings thirteen times annually to align on financial goals, review performance against targets, and make key decisions). In 2021, we launched our ESG (Environmental, Social and Governance) Executive Advisory Council, which brings together leaders from across the company to chart goals and strategy. Through this Council, various working groups/task forces address numerous topics, such as our Climate Action Plan, Global Energy Strategy, ESG finance, disclosure and reporting, and regulatory requirements. We also align our executive compensation with ESG priorities through our Executive Bonus Plan. These bonus elements are overseen jointly by the Compensation Committee and the Nominating and Governance Committee. Annual cash incentives rest on: (1) quantitative (60%) metrics, including diversity, equity and inclusion (DEI), resource consumption (water and energy), environmental compliance, waste reduction, climate (emissions), packaging, forest conservation and fisheries and (2) qualitative (40%) metrics to encourage awareness and action on new initiatives.

Roles & Responsibilities

The image below outlines Costco's various governing bodies and their responsibilities.



Education

We keep our members, employees, suppliers and investors informed through many channels, including:

- Articles in the *Costco Connection*, our monthly publication for members;
- Articles in the *Costco Today*, our employee magazine;
- Training and educational opportunities for our employees and suppliers throughout the year, including our annual Supplier Day;
- Policies and guidelines for our employees and suppliers;
- Job aids and operational procedures to help our employees comply with our policies and programs; and
- This Sustainability Commitment, which is updated at least annually.

SASB

Costco follows the guidance of the Sustainability Accounting Standards Board (SASB) Standards for reporting on sustainability metrics.

Sustainability Accounting Standards Board

Sustainability Accounting Standards Board (SASB) Standards identify metrics that reflect sustainability-related risks and opportunities that could impact our operations. We identified two SASB industries most relevant to our business: Food Retailers and Distributors and Multiline; and Specialty Retailers and Distributors. A cross-functional team reviewed these SASB metrics and selected those that were relevant to our operations. We report on these selected metrics on the following pages.

| Code | Metric | FY22 | FY23 | FY24 ¹ |
|--|---|---|---|---|
| Fleet Fuel Management | | | | |
| FB-FR-110a.1 | (1) Fleet fuel consumed | 2,148,700 GJ | 2,405,200 GJ | 2,909,900 GJ |
| | (2) Percentage renewable ² | 0% renewable | 15% renewable | 35% renewable |
| Reference: Transportation & Logistics, p. 2, in the Operations section | | | | |
| Air Emissions from Refrigeration | | | | |
| FB-FR-110b.1 | Gross global Scope 1 emissions from refrigerants ³ | CY21 621,900 mtCO ₂ e | CY22 603,200 mtCO ₂ e | CY23 648,000 mt CO ₂ e |
| Reference: Energy & Refrigeration, p. 3, in the Operations section | | | | |
| Energy Management | | | | |
| FB-FR-130a.1 | (1) Operational energy consumed ⁴ | CY21 23,946,000 GJ | CY22 26,030,000 GJ | CY23 24,237,000 GJ |
| | (2) Percentage grid electricity | CY21 60.1% | CY22 55.7% | CY23 60.4% |
| | (3) Percentage renewable | CY21 3.6% | CY22 4.9% | CY23 8.5% |
| Reference: Energy & Refrigeration, pp. 1-2, in the Operations section | | | | |
| Activity Metrics | | | | |
| FB-FR-000.A | Number of (1) retail locations and (2) distribution centers | (1) 838 warehouses and business centers (2) 68 distribution and 97 logistics facilities | (1) 861 warehouses and business centers (2) 68 distribution and 93 logistics facilities | (1) 890 warehouses and business centers (2) 70 distribution and 89 logistics facilities |
| FB-FR-000.B | Total area of (1) retail space and (2) distribution centers | (1) 11.4 mil m ² operating space (122.5 mil ft ²) (2) 2.9 mil m ² distribution and logistics facilities (31.0 mil ft ²) | (1) 11.7 mil m ² operating space (126.3 mil ft ²) (2) 3.1 mil m ² distribution and logistics facilities (33.1 mil ft ²) | (1) 12.2 mil m ² operating space (130.9 mil ft ²) (2) 3.0 mil m ² distribution and logistics facilities (31.9 mil ft ²) |

¹ We report FY24 under SASB v2023-12.

² Fuel is determined renewable under U.S. Renewable Fuel Standard (RFS).

³ U.S. and Canada data is as reported by third-party service technicians and for systems over 50 lbs. International data is reported by warehouse management. We report emissions from the six gases covered under the Kyoto Protocol. More complete reporting may be found in our CDP report.

⁴ Reduction in CY23 compared to CY22 is due to the discontinuation of our charter shipping activities.

| Code | Metric | FY22 | FY23 | FY24 ⁵ |
|---|---|--|--|--|
| Workforce Diversity & Inclusion | | | | |
| CG-MR-330a.1 | Percentage of (1) gender for (a) executive management, (b) non-executive management and (c) all other employees | See Inclusion, in the People & Communities section | | |
| | Percentage of (2) diversity group representation for (a) executive management, (b) non-executive management and (c) all other employees | | | |
| Reference: Inclusion, pp. 3-4, in the People & Communities section | | | | |
| Data Security | | | | |
| FB-FR-230a.1 | (1) Number of data breaches | Costco did not identify any material data breaches in FY22 | Costco did not identify any material data breaches in FY23 | Costco did not identify any material data breaches in FY24 |
| | (2) Percentage that are personal data breaches | | | |
| | (3) Number of customers affected | | | |
| FB-FR-230a.2 | Description of approach to identifying and addressing data security risks | See Data Security, in the Governance & Reporting section | | |
| Labor Practices | | | | |
| FB-FR-310a.1 | (1) Average hourly wage, for U.S. in-store and distribution center employees | \$26 | \$27 | \$28 |
| | (1.a) True rate of pay, for U.S. in-store and distribution center employees ⁶ | \$27 | \$29 | \$30 |
| | (2) Percentage of in-store and distribution center employees earning minimum wage, by region | All employees earn more than the regional minimum wage | | |
| FB-FR-310a.2 | Percentage of active workforce employed under collective bargaining agreements ⁷ | Less than 10% of employees are represented by unions | Approximately 5% of employees are represented by unions | Approximately 5% of employees are represented by unions |
| CG-MR-310a.2 | (1) Voluntary turnover rate for in-store and distribution centre employees ⁸ | | 14.0% | 12.5% |
| | (2) Involuntary turnover rate for in-store and distribution centre employees ⁸ | | 14.3% | 13.9% |
| | (2.a) Involuntary turnover of regular workforce ⁸ | | 3.6% | 3.5% |
| Reference: Employee Development in the People & Communities section | | | | |

⁵ We report FY24 under SASB v2023-12.

⁶ Our "true rate of pay" includes twice-yearly Extra Checks for long-tenured hourly employees.

⁷ Represents percentage of employees covered under a collective bargaining agreement at fiscal year-end.

⁸ We include involuntary turnover of regular workforce, which excludes our seasonal workforce due as this better represents our normal turnover. Additionally, due to a change in SASB guidance which impacted the calculation methodology for all three metrics in CG-MR-310a.2, we have restated our FY23 percentages and removed FY22.

Data Security



Our governance policies, including the Information Security Policy, outline high level information security objectives designed to meet compliance and regulatory requirements.

Data Security

Costco identifies and addresses data security risks based on several frameworks, including the NIST Cybersecurity Framework (CSF), CIS 18 Critical Security Controls, and the Payment Card Industry Data Security Standard (PCI DSS). The company's governance policies, including the Information Security Policy, outline high level information security objectives designed to meet compliance and regulatory requirements. We have standards, procedures and programs to guide the management of data security risks.


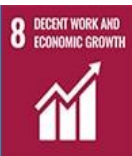






Costco has implemented several technology measures, leveraging third-party security providers when needed and engages in multiple activities to seek to identify and mitigate vulnerabilities and risks in systems (e.g., scanning for common vulnerabilities and exposures, penetration tests on internal and external networks, code scans on applications, employee awareness and training, and 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.

Defense in Depth Strategy

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 helps us reduce the potential risk of unauthorized access to our systems and information.

While our cybersecurity and compliance efforts seek to mitigate risks, there can be no guarantee that the actions and controls we and our third-party service providers have implemented and are implementing will be sufficient to protect our systems, information or other property. Our Vice President of Information Security reports regularly to the Board of Directors and senior management concerning our security practices.

| SDG | Our Goals | Key Performance Indicators | FY 2022 | FY 2023 | FY 2024 |
|---|---|--|--|-----------------------------|----------------------------|
|  | Water is a precious and limited resource that cannot be wasted. Costco is committed to improving water use efficiency and reducing operational water waste. | Percentage of facilities with operational water monitoring systems ¹ (excludes Costco Logistics) | 81.4% | 17.7% ² | 96.6% |
| | | Global water intensity ³ | 18.59 ('000 gal/\$MM sales) | 17.81 ('000 gal/\$MM sales) | 18.2 ('000 gal/\$MM sales) |
|  | 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. | Qualitative | See our Supplier Code of Conduct and Selected Partnerships on the "Human Rights" page in the People & Communities section ; also see "Commodities & More" in Merchandising for examples of worker and community support programs at source | | |
|  | 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 demographic information on the "Inclusion" page in the People & Communities section | | |
|  | 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 | 79.9% | 80.5% | 82.0% |
| | | | For more, see waste information on the "Minimizing Waste" page in the Operations section | | |
|  | 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. Reported as total pounds of plastic reduced in the fiscal year that the change occurred. | 6.4M pounds | 14.4M pounds | 23.5M pounds |
| | | | To learn more about packaging, please see the "Packaging" page in the Merchandising section | | |
|  | 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, & 3 GHG emissions | More information about our Scope 1, 2, & 3 emissions numbers can be found in the "Climate Action Plan" located on our Climate Action section | | |
|  | 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 | 63.5% | 63.8% ⁴ | 64.7% |
| | | Kirkland Signature farmed seafood sourced from ASC-certified farms or in an AIP, based on supplier-reported data | 44.0% | 63.9% ⁵ | 72.9% |
|  | 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 | 99.5% | 100% | 100% |
| | | | For more, see the "Environmental Impacts & Land Stewardship" page in the Merchandising section | | |

1. Includes warehouses, business centers and depot facilities with monitoring systems for water used inside the building. This does not include irrigation.
 2. This percentage dropped significantly from FY22 due to a change in vendors. New monitoring systems were installed at locations in FY 2024.
 3. Consumption based on all invoiced water usage; may exclude some water for common area landscaping and locations with well water. Fiscal year net sales is the denominator of this calculation.
 4. Value is restated due to updated information. Original percentage was 63.4%.
 5. Value is restated due to updated information. Original percentage was 56.2%.



FAQs

Frequently Asked Questions from our Members

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What is Costco considering when it is evaluating product packaging?

Here at Costco Wholesale, we are continuing to improve our packaging. Costco's sustainable packaging goals are to ensure our packaging is designed to protect the product, comply with laws and regulations, reduce materials and communicate effectively with our members. We also seek opportunities to reuse packaging, identifying the materials used so that packaging can be recycled, as well as to source already recycled content.

What is Costco doing about all of the plastic packaging on products in the warehouse?

We recognize that packaging, especially plastic and components that make recycling difficult, is a growing international concern, and Costco is actively working on solutions to reduce our impact. We are currently undertaking a company-wide effort to review packaging issues at every level. This review includes looking at every opportunity to

reduce our plastic usage, improve our package labeling to inform members of the recyclability of the packaging and exploring opportunities in alternative packaging materials and certified compostable options. As part of this review, we are also improving how to share effective solutions across our buying teams so we can all learn and benefit from successes. We are working on providing more options for members with better material and labeling choices and an emphasis on recyclable and certified compostable items. Please understand that with an operation the size of ours, changes take time to both source and implement. We have many projects currently in testing and other changes that are rolling out soon.

In particular, what about the plastic packaging in the Produce Department?

Our produce buying teams have been working with our suppliers to address member concerns with plastic packaging. Some apple brands transitioned to corrugated packaging and others switched to reduced plastic solutions and flexible bags. Additionally, we have removed the bag on the sell units of bananas. Other packaging changes you may observe at your local warehouse include reductions in plastic packaging by using film closures rather than rigid lids or pulp packaging and flexible bags in place of other rigid packaging. These changes have culminated in over 10 million pounds less plastic used annually.

What about plastic egg cartons? Why not use the cardboard egg cartons like most other grocery stores use?

As with all packaging, there are trade-offs to balance. While we recognize that recyclability of egg cartons is an increasing challenge for some of our members, we also have a priority to reduce food waste in our supply chain. The use of this packaging allows us to greatly reduce food waste going to landfills. In addition, our egg packaging is made of 100% recycled PET and is 40% lighter than pulp egg cartons. This weight difference and construction of the packaging allows for 50% more cartons to be packed onto a truck, reducing the delivery impact between farms and our greenhouse gas emissions footprint. Additionally, using recycled content further reduces emissions in the production of the packaging by over 60% on average.

Is Costco doing anything to eliminate the single-use plastics like in the Food Court or in the demo samples?

We are currently working on multiple projects to limit the amount of single-use plastics and straws used in our warehouses. We continue to apply changes to more Costco locations and review alternative solutions as we work toward a sustainable future. In addition, we are currently reviewing all types of delivery systems for our food demos in order to find options that are food safe, environmentally friendly, and cost effective. We are requesting our suppliers and demo companies to eliminate and/or minimize the use of plastic whenever possible and use viable alternatives such as paper or other materials.

Why do you continue to use and sell so many single use plastic water bottles?

We recognize that the proliferation of water bottles has challenges, and we must walk a delicate line between the value of the product and the other reasons our members choose to purchase this product. Although we have not yet found a viable replacement option for the water bottles, we remain focused on alternative material research and development. We realize that there exists options in paper and metal packaging, however we also use life-cycle assessment data to determine the entire impact of the packaging choices we make. In the meantime, we are continuing to increase our recycled content in those containers. This is a very positive development as using recycled content instead of sourcing new, or what is called “virgin” plastic, reduces greenhouse gasses generated in the production process of making the bottle by up to 67%*¹.

Why don't you replace more plastic bottles and jars with glass?

We regularly seek to find the best packaging solution that both satisfies our packaging goals and provides the most beneficial outcomes. We are exploring solutions that consider the overall environmental impact of the packaging that consider tradeoffs between greenhouse gas emissions, the use of fossil fuel, and water usage. In most cases, we use plastic containers because they weigh much less than glass bottles and can lead to more efficient pallets, increased loads per truck, and fewer trucks on the road therefore reducing carbon emissions.

Why do you use so much plastic to wrap individual items within larger multipack packages (i.e., multiple bottles or containers wrapped up into a single sell unit)?

While the multiple packaging format that we supply many of our goods in appears to be excessive and unnecessary, what many of our current members may not be aware of is our history as a wholesale supplier to other small businesses. Because we still supply many other retail businesses, we package items into multipack packaging and the goods are labeled for resale. We recognize that this poses challenges for our household members and we are working hard to identify ways to reduce packaging and replace materials with more sustainable choices.

Why do you need to use plastic for the holders used to connect two bottles of juice or the wrap used to hold two jars of something together as a single unit? Why not find a different material to hold the products together or just sell individual units of those products?

We recognize that the plastic holders and wraps used on various bottled products are difficult to manage. In 2023, we introduced the corrugated paper version of carrier

¹ The Association of Plastic Recyclers (2018, December 18). Life Cycle Impacts For Postconsumer Recycled Resins: PET, HDPE and PP. Retrieved June 28, 2024, from <https://plasticsrecycling.org/>

handles for a number of products, which are referred to as dog bones. We continue to roll out this award-winning packaging innovation across more items, eliminating the use of plastic carrier handles and reducing our plastic footprint. The new corrugated handles are curbside recyclable in those programs that collect corrugated paper packaging.

Recycling is not an option in my area or is being reduced. What is your stance on recycling?

We support and encourage recycling, and while we understand that recycling is a limited solution for many of our members, we believe that the recycling industry is a key component of the circular economy. We believe strongly that we need to support the recycling industry so that it may recover and help continue to provide solutions to remove and reduce plastics from our environment. If we do not support this industry, humanity will be left to figure out how to solve these issues without the infrastructure and expertise of the recycling industry. We need to work together with consumers and industry to solve these challenges.

While we recognize that plastic containers are not a perfect solution, the vast majority of our rigid plastic packaging is made from PET, a highly recycled and recyclable plastic packaging. We also believe increasing our use of recycled content and continuing to increase our use of packaging that contains recycled PET is a positive path toward reduced use of and need to source virgin materials (i.e., new plastic). Using recycled content can lower energy use in the production of packaging by over 60%.

As evidence of our support for and belief in recycling, in our warehouse operations, we recycle a great deal in order to keep valuable, reusable material from being wasted in a landfill and encourage our members to do the same, if they are able. That said, we continue to explore opportunities in alternative packaging materials and compostable options.

Why did you change my product from a recyclable plastic jar to a non-recyclable plastic bag?

We understand that many flexible bags are not recyclable, however, they do provide an opportunity to reduce the plastic in the packaging by an average of 70%. With the recycling industry not collecting many types of packaging, we may have to choose some solutions that have less obvious benefits, such as reduced packaging weight. Additionally, the production of flexible film creates approximately 60% less greenhouse gas compared to the heavier rigid plastic packaging in one of our comparisons. These changes have other unseen benefits as well, including lower greenhouse gas emissions in packaging production, more efficient pallets, increased loads per truck and fewer trucks on the road.

Do you have any plans to collect recyclables at the warehouses?

We do not currently have a system to deal with collecting recyclable materials from the public at the warehouses. We have forwarded your suggestion to our operations team who are considering this option. We need to work together with consumers and industry to solve these challenges. We always appreciate suggestions from our members.

Do you have any plans to allow refilling of reusable containers for any products?

We do not currently have a system to deal with refilling reusable or personal containers at the warehouses. Our operations team has this topic under review. We need to work together with consumers and industry to solve these challenges.

Can the styrofoam used with Costco products be recycled?

Although styrofoam is "recyclable" in certain circumstances, it is not, to our knowledge, included in most curbside pickup. While there are a limited number of resources for recycling styrofoam, to find a location to recycle styrofoam packaging, please visit <https://www.recyclefoam.org/about-foam-recycling>.

Where can I recycle my store drop-off recyclable film?

At this time Costco does not have a system set up for collection, although we are exploring potential options for the future. Meanwhile, to locate an active drop-off location please review this [list of options](#) to find a location near you.

For more information:

Please review our sustainability commitment for more information:
<https://www.costco.com/sustainability-introduction.html>.

For packaging information: <https://www.costco.com/sustainability-packaging.html>.

For additional questions and concerns: globalpackaging@costco.com.

“Inside Costco/Sustainability” columns

- [Energy Plan/Costco’s global energy strategy for its operations](#)
- [Renewing our soil/Regenerative agriculture offers an option for better soil health](#)
- [Forest conservation/Palm oil and healthy ecosystems](#)
- [Sensible structures/Sustainability plays a role when we build new Costcos](#)
- [Human rights/People are critical components of our sustainability policies](#)
- [A global approach/How we’re supporting UN sustainability goals](#)
- [A year in review/Sustainability report update compares goals with progress](#)
- [STAR EFFORTS/Program helps us operate as efficiently as possible](#)
- [Working together/Collaborations can help ensure sustainable food supplies](#)
- [Meeting our goals/Updated Sustainability Commitment shares our efforts](#)
- [Taking action/Reducing emissions is key part of our Climate Action Plan](#)
- [Precious resource/We can call play a role in being water-wise](#)

Working together

Collaborations can help ensure sustainable food supplies



Sheri Flies is Costco vice president of global sustainability and compliance.

A Costco sources food products from around the world for members’ tables, we’re finding that strategic relationships can help ensure sustainable supplies and support the people behind the products. Here are a few recent examples where Costco is working with other organizations and companies for the common good.

Supporting cocoa farmers
West Africa provides much of the world’s cocoa, the essential ingredient for chocolate. We source most of our cocoa for our Kirkland Signature™ chocolate from Ivory Coast. Unfortunately, severe areas there have been deforested, limiting cocoa production and leaving locals with limited income-producing options. Through a federally funded U.S. program called Restore: Resilient Ecosystems and Sustainable Transformation of Rural Economies, the Rainforest Alliance is partnering with Costco, Bitterman Chocolate and other companies to work with communities to conserve remaining forests, restore others and follow agricultural practices to increase yields. In the end, the goals are thriving farming communities, healthy forests and sustainable cocoa supplies.

Seeds for bees
The alarming problems facing honeybees and colony losses over the past several years have been well documented. Costco is supporting several innovative efforts to promote honeybee health.

One is Project Apple’s Seeds for Bees program, which promotes using cover crops to increase bee forage and improve soil health in California orchards, farms and vineyards. Through Seeds for Bees, growers have access to free and subsidized cover crop seeds that bloom at critical times of the year when bees are hungry for natural food resources are scarce. Seeds for Bees also provides free resources and expert advice to help growers implement best practices.

This program will especially help in California’s almond orchards, which supply 80% of the world’s almond supply (including the Kirkland Signature™ almonds sold at Costco). Participants report numerous benefits, including healthier soil, improved water infiltration, better dust control and reduced reliance on chemicals. Researchers and growers agree: The bees are happier as well. ■

Sustainable teams By those under our Kirkland Signature label. Often, this entails forming a portion of the Costco buyers seek out strategic relationships to support sustainable sourcing practices. Go to Costco.com and search “Sustainable,” or for many products, particular healthy bee programs.



Temple Grandin

New solutions from a unique mind



A global challenge

Actor Jeff Bridges turns to a documentary to inspire action for a healthier planet



Sustainability

Big lessons from a little egg



Pepper for prosperity

A unique program in Vietnam yields special results



Saving the honeybees

Scientists, growers and Costco work to address the bee crisis



Waste not

Getting excess goods to needy global communities, not landfills



The future of farming

How technology is serving up the food on your table