



- Costco Wholesale Corporation -

SUSTAINABILITY COMMITMENT



2020



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- Costco Wholesale Corporation -

SUSTAINABILITY COMMITMENT



"This Sustainability Commitment includes our updates for Fiscal Year 2020. Despite the challenges due to the COVID-19 pandemic, we have made progress on many of our sustainability commitments and goals. We would like to thank our employees, suppliers, members and the communities where we operate for their continuing support to help us navigate the challenges of the COVID-19 pandemic."

— Craig Jelinek, CEO

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

Code of Ethics

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

Mission Statement

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

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

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

Our Sustainability Principles

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

Our Sustainability Responsibilities

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

In this document, we explain how we continue to incorporate sustainable practices in key aspects of our business. We provide examples to help illustrate our progress. We realize our practices may change over time, as we learn more and adapt to our ever-changing world, and we update our Commitment to reflect these changes. To see our progress, please review our Sustainability Commitments Archive. For questions or more information, please contact Costco Customer Service.



EMPLOYEES



COMMUNITIES



OPERATIONS

MERCHANDISING



CLIMATE ACTION PLAN

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

Last Updated: May 2021

EMPLOYEES



Costco has more than 275,000 employees worldwide. We understand that the key to Costco's continuing success and growth is the attraction and retention of great employees.

COMPENSATION & BENEFITS

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

In the U.S., we provide generous benefits, including affordable health care coverage for full-time and part-time employees and sizable contributions to company-sponsored retirement plans, based on years of service. We provide twice-yearly Extra Checks (bonuses) for long-tenured hourly employees. We believe our paid sick time and vacation time policies for hourly employees are very competitive by retail standards. In 2019 we added paid bonding leave for new parents in hourly positions. We have adopted operational practices designed to benefit our hourly workforce, such as a 50% full-time ratio, guarantees of minimum scheduled hours, and weekly schedules posted at least two weeks in advance.

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

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 be able to find higher compensation or better perks at other companies, our retention rates, particularly for longer-term Costco employees, are very high. We believe our competitive compensation and benefits, opportunities for growth and advancement, and the stability and culture of the company drive our strong retention rates.

We publicly report the ratio between the median income of our employees and our CEO's total pay, which can be found in our [CEO Pay Ratio Summary](#).

WORKFORCE TENURE & DEVELOPMENT

In the U.S., our employees average over nine years of service with the company. Over 60% of U.S. employees have five or more years with Costco, and over one-third have more than 10 years. Costco also has long-tenured workforces elsewhere, particularly in more mature markets in Canada, the UK, Mexico and parts of Asia. Worldwide, we have over 14,000 employees that have more than 25 years of Costco service. We feel the experience level and loyalty of our employees give us a significant advantage.

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

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

We have an internal voluntary employee program, Journeys For All, which has been expanded to offer all employees opportunities to succeed through education, mentoring, and connection. Journeys started in 2007 and has grown over the years from a small group focused on career connections and development, to an inclusive global employee community with a diverse membership base.

Journeys provides employees with a central platform to:

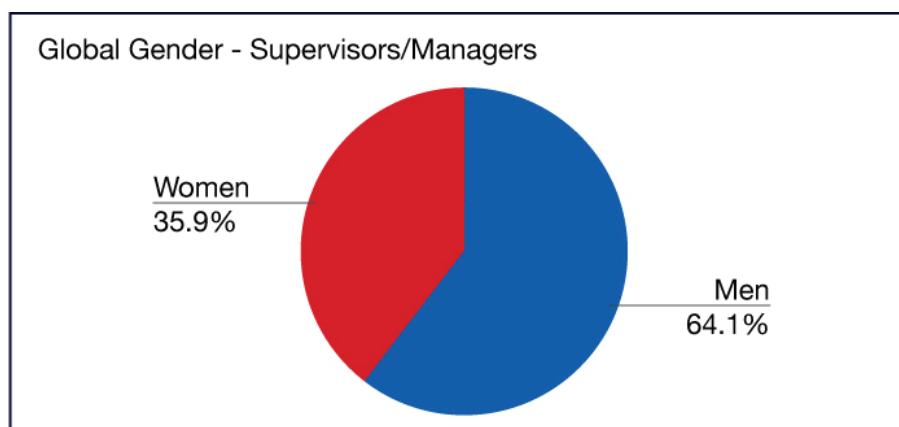
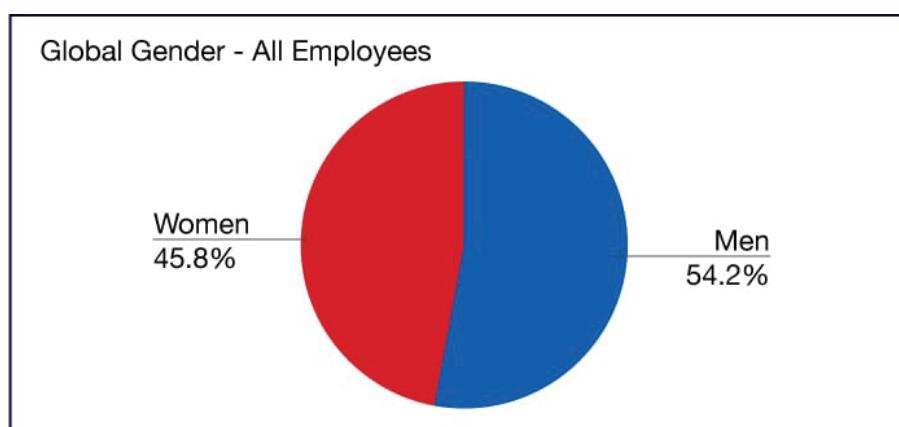
- **Educate** themselves on company culture and history,
- **Mentor** each other to engage in personal and professional development, and
- **Connect** with employees and leaders across the globe

DIVERSITY, EQUITY & INCLUSION

Our Code of Ethics makes clear our commitment to take care of our employees. As part of this commitment, we aim to have a diverse workforce that is representative of the communities where we do business and to foster an inclusive environment, free from inequity and unlawful discrimination. While much has been accomplished, we are committed to further progress.

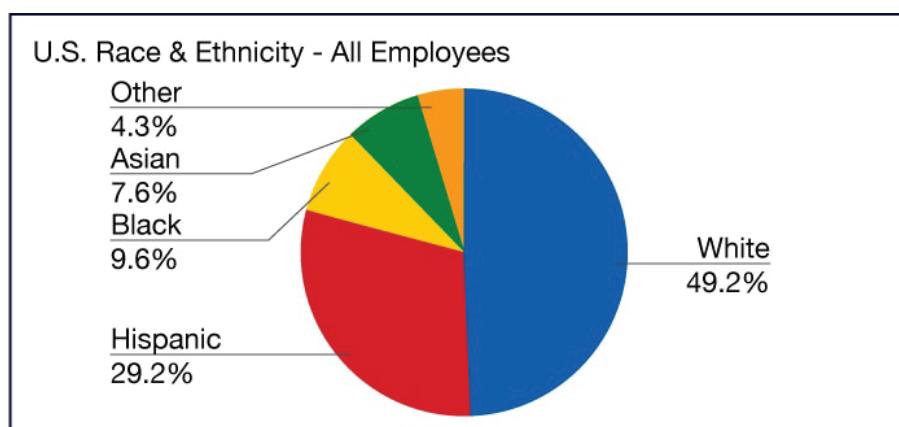
Gender demographics (global):

Among Costco's global workforce, 45.8% identify as women and 54.2% as men. In Supervisors/Managers positions in our global operations, 35.9% identify as women and 64.1% as men.

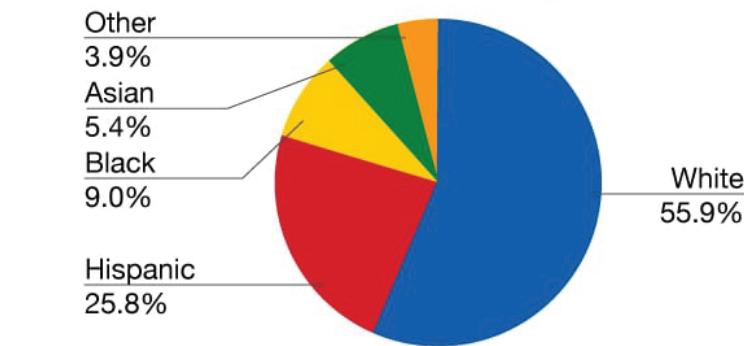


Race and Ethnicity Demographics (U.S.):

In the United States, 29.2% of our employees identify as Hispanic, 9.6% as Black, 7.6% as Asian, 4.3% as two or more races or Other, and 49.2% as White. Among Supervisors/Managers in our U.S. operations, 25.8% identify as Hispanic, 9% as Black, 5.4% as Asian, 3.9% as two or more races or Other, and 55.9% as White.



U.S. Race & Ethnicity - Supervisors/Managers



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 3 women and 1 person of color. For the company's U.S. officers (Assistant Vice President and above), 24% identify as women and 18% identify as a race or ethnicity other than White. As we seek and develop future leaders from within the company, we will do so with an eye toward greater diversity.

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

Taking care of our employees also means equitable pay. Our most recent analysis shows that men and women who perform substantially similar work are paid within 99.9% of each other after adjusting for key factors such as job, company seniority and hours worked.

We know that a continued focus on diversity, equity, and inclusion is the right thing for our employees, our company, and our communities. Costco will continue its efforts to foster diversity, equity and inclusion company-wide, and will track our progress.

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 ongoing commitment to basic principles such as 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. As we move forward, it is imperative that we continue to perpetuate this culture throughout the company, wherever we do business. We encourage an atmosphere of openness and support with our Open Door Policy, which allows any employee to discuss any issue with any level of management.

An important element of our Code of Ethics is "Obey the Law." We have a variety of educational and training programs to help our employees remain aware of and compliant with a variety of laws and regulations.

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

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COMMUNITIES

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



CHARITABLE CONTRIBUTIONS

Costco's commitment is to be active in our local communities. We have a Charitable Contributions Committee that meets quarterly to make determinations on which programs to support and how to best meet the needs within our communities. We budget 1% of pretax profits for selected charitable contributions focused on children, education, and health and human services. In fiscal year 2020, we contributed over \$48 million to disaster relief and to hundreds of organizations through a variety of charitable programs and grants. Examples include United Way, Children's Miracle Network Hospitals, Communities in Schools, Feeding America, American Red Cross, College Success Foundation, Thurgood Marshall College Fund, United Negro College Fund, and Fred Hutchinson Cancer Research Center. Visit the list of our top [U.S. recipients for FY2020](#).

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

- In the past 20 years, we've raised over \$60 million through the Costco Scholarship Fund for scholarships for underrepresented minorities to attend the University of Washington and Seattle University; over 2,000 scholarships have been awarded;
- We've donated over \$60 million to other schools and organizations for scholarships and educational opportunities for underrepresented minorities;
- We've helped establish and have donated \$10 million to the College Success Foundation, which is dedicated to supporting underserved, low income students beginning in middle school and continuing through college.

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

Donation Programs

Worldwide, our locations donate to local community organizations throughout the year. Donation programs vary by location and by region.

Some examples include:

- Since 2012, Costco has partnered with [New Eyes for the Needy](#) to support its Overseas Program. Costco sends members' used eyewear and hearing aids to New Eyes where they are sorted, tested and repackaged for distribution to those in need around the world. Annual donations are approximately 260,000 used glasses and 1,800 hearing aids. Most often, the glasses are the first and only pair of eyeglasses the recipients have owned. Due to COVID-19 safety guidelines, we have temporarily suspended this program.
- Our food donation programs to people in need continue to grow. In fiscal year 2020, we donated over 67 million pounds of food from our U.S. warehouses and depots to Feeding America, contributed \$3.7 million in cash grants and an additional \$3.4 million in "in-kind" products. All of our international locations also donate to local food banks.
- Our program with World Vision to donate non-food items to people in need continues to grow and in fiscal year 2020, we donated 54,332 pallets of products.

These donation programs are part of our [Waste Minimization](#) program, where you can find more detailed information.

COMMUNITY INVESTMENT

In order to support a more inclusive economy, to break down race and class barriers to opportunity and growth, Costco is investing \$25 million in the Black Economic Development Fund managed by Local Initiatives Support Corporation in the U.S. This fund will focus on making deposits in Black-owned banks and offering financing to minority businesses, charter schools, affordable housing projects, and athletic facilities, to support economic development in communities of color.



More information can be found in this video about how Costco employees engage with the community.



Costco Employee Volunteer Reading Program

Fiscal Year 2020 was the 22nd year for Costco's Volunteer Reading Program. With 456 programs, over 70% of eligible locations participating (U.S., Canada and Australia) and over 2,600 volunteers, this continues to be a successful program. Due to COVID-19, we have paused this program and look forward to beginning again when it can be safely and effectively restarted.



HEALTH CARE

Products and Services

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

In FY20, we donated and/or provided at cost hospitals and government agencies with masks, hand sanitizers, surface wipes, gloves and personal care items to help them respond to COVID-19.

Pharmacy Services

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

- **Specialty drug** customized pharmacy services that require patient-specific dosing and careful clinical management. More information can be found at [Specialty Drug Programs](#).
- **Access to naloxone** without a prescription in 44 states, Washington, D.C. and Puerto Rico. Naloxone is a life-saving medication that reverses an opioid overdose, and is part of the national strategy to combat the opioid overdose epidemic.
- **Prescriptions for contraceptives** in California, Colorado, Hawaii, Idaho, Maryland, Montana, New Mexico, Oregon, Utah and Washington, with the intent to roll out the program where allowed by law.
- **Travel Medicine Services** in California, Hawaii, Idaho, Illinois, Oregon, 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.

Pharmacy Benefit Programs (PBM)

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

Optical Services

Besides being a low-cost source for eyewear in over 758 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 over 705 hearing aid centers worldwide, staffed by licensed hearing aid specialists. Besides providing hearing aid tests and low-cost, high quality hearing aid devices, Costco also helps to improve the education of Hearing Aid Specialists through its partnership with the International Hearing Society. As a result, Costco has helped over 948 people in the U.S. achieve a new career as a hearing aid specialist since 2006.

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OPERATIONS

Costco's sustainability commitment also focuses on managing our operation of over 800 warehouses worldwide in an energy-efficient and environmentally responsible manner. Our efforts involve sustainability assessments, including energy and resource consumption reviews within our operations. We remain committed to improving our energy systems controls and performance and to the reduction and diversion of waste throughout our operations. This supports our mission to remain a low cost operator, as we remain focused on programs that best serve our communities, promote environmental stewardship and reduce our carbon footprint.



CONSTRUCTION, LANDSCAPING & PRESERVATION



ENERGY & REFRIGERATION



TRANSPORTATION & LOGISTICS



WASTE MINIMIZATION



WATER MINIMIZATION



ENVIRONMENTAL COMPLIANCE

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CONSTRUCTION, LANDSCAPING & PRESERVATION



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



CONSTRUCTION

Sustainable Design

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

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

Adaptive Reuse and Historic Preservation

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



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



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



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

Recycled Materials

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

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

Other Sustainable Features

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

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

LANDSCAPING

Sustainable Landscaping

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

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



Before

After

- Costco is experimenting with vegetation removal with the use of goats. In 2017 Costco piloted a program in **Covington, Wash., U.S.**, to use goats to remove unwanted vegetation around the water retention pond. This saved the company money in landscaping costs and eliminated the need for herbicides to kill unwanted vegetation. Costco continues to look for opportunities to expand this program where it makes sense. In 2020, another pilot was conducted in **Fort Worth, Texas, U.S.**.

Natural Preservation

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



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



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

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Costco understands that the interrelationship between energy usage and refrigeration management is a key component to the reduction of our Scope 1 and 2 carbon emissions. As regulations change related to refrigerant types allowed for commercial use, efforts to install and/or upgrade our global refrigeration systems will continue to be a focal point. Additionally, purchased electricity is the largest source of our Scope 2 carbon emissions. Purchased electricity is also a significant annual expense; when we reduce our usage, we save expenses, which helps us to remain a low-cost operator.

CONTINUOUS IMPROVEMENT THROUGH TECHNOLOGY & COLLABORATIVE LEARNING

We continue to use monitoring solutions and tools to identify energy consumption opportunities throughout our operations. We will continue this effort, aiming to assess monitoring systems to equip our global operations with actionable data to identify opportunities to reduce energy consumption.

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

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

In order to stay abreast of changes, Costco:

- Participates in the U.S. Department of Energy's Better Building Alliance and other conferences to evaluate and share new energy-efficient technologies with both government and private industry
- Holds annual training sessions for our global Sustainability and Compliance teams to share and learn best practices, to increase awareness about the importance of climate change, and to learn how to reduce our carbon footprint and save energy, all of which in turn save money

PROGRESS TO DATE

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

- Energy Management and Lighting Management Systems are used **globally** to allow operators control of heating and cooling set points, lighting schedules, and system troubleshooting.
- Costco continues to enhance system tools and reporting to improve visibility to peak kWh consumption related to both lighting and refrigeration systems. As of 2020, new assessments for **U.S. locations** include a review of site peak consumption to identify and support maximizing energy efficiencies.
- Since 2019, **Mexico** locations have used a new energy measurement project to provide real-time kWh consumption assessments to identify opportunities for each site to improve energy efficiencies impacting resulting in energy savings for refrigeration, HVAC and lighting.
- Locations in the **UK** have completed LED lighting conversion and installed Voltage Optimization units at all locations to regulate/optimize incoming voltage to the required levels to reduce oversupply of electricity. This will be augmented with training for our managers on utility management systems to ensure operational efficiency.
- Locations in **South Korea** are equipped with centralized fire and energy monitoring and control systems. In addition to these systems, other onsite systems, including electrical, gas, refrigeration and elevator systems, are managed by a certified, on-site professional. As an example, the ventilation system and HVAC can be programmed or manually controlled by the centralized system relative to outside environments (temperature, humidity and wind) to maintain the optimal indoor atmosphere and refrigeration, and to maximize the energy conservation. Each location examines monthly energy consumption to identify opportunities to improve efficiency, accordingly.
- **Taiwan** continues an operations energy management system to drive consumption efficiency through focused training and review of utilities (gas, electricity and water systems) usage and

optimization measures.

- **Iceland's** geothermal system produces hot water that provides space heating and hot water supplies throughout the location. In addition, this system facilitates snowmelt to free up sidewalks and key areas in front of the building, including the gas station forecourt (filling area) and the receiving (freight area) ramp.



SOLAR POWER

Costco continues to increase the number of locations using solar photovoltaic systems. At the end of fiscal year 2020 Costco has 116 warehouses using solar power in Arizona, California, Colorado, Hawaii, New Jersey, New Mexico, New York, Ohio, Utah, and Puerto Rico, as well as in Australia, Spain, the UK, Taiwan, and Japan. Some locations use solar power in the parking lots.



LIGHTING SYSTEMS

As of the end of FY20, the conversion to LED in older U.S. buildings that began in 2016 is mostly completed, with an estimated energy savings of over 235 million kWh per year. In addition, LED conversions continue for locations outside of the U.S. All lighting in new construction utilizes LED technology.



FUEL CELL TECHNOLOGY

In 2017, Costco began piloting the use of fuel cells as an alternative source for generating on-site electricity. As of the end of FY20, we now have 12 locations in California powered in part by fuel cells that generate an estimated total of 62 million kWh of energy annually. To date Costco has found the following benefits:

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



REFRIGERANT MANAGEMENT

Costco recognizes refrigerant system operation presents significant opportunities because refrigerants have a major impact on the warmth of the atmosphere. As regulations change related to refrigerant types allowed for commercial use, efforts to install and/or upgrade our global refrigeration systems are a focal point. Additionally, as purchased electricity is our largest source of our operational cost contributing to emissions, we will seek operational efficiencies through these ongoing efforts. Costco continues to explore new refrigerant technologies and carefully select refrigerants that further reduce the Global Warming (GWP) and GHG emissions.

Examples include:

- Costco will migrate to CO₂ refrigerants where it is operationally viable and as of the end of FY20, CO₂ is currently in use in locations in the **U.S., Canada, Spain, the UK, Iceland and Australia**.
- Our buildings are equipped with state-of-the-art leak detection systems to identify refrigerant leaks, triggering system alerts to support more expedient leak detection for faster resolution.
- In 2019, we began establishing monitoring solution providers to implement tools to identify energy consumption opportunities in test sites. We will continue this effort, aiming to assess monitoring systems to equip our operators (where possible) with tools to identify opportunities to reduce energy consumption per square foot, accompanied by training to guide efforts to reduce energy costs at each site.
- We continue to improve the efficiency of refrigeration and HVAC systems through exploring and implementing new designs to maximize energy efficiency and water consumption, while reducing potential for global warming as systems are considered for each site design application. An example of this would be in high ambient temperature climates, Costco has installed adiabatic systems that are hybrid systems and use an energy-efficient combination of fans and water to cool refrigeration systems throughout the day.
- We work with certified contractors who adhere to best management practices in the installation, maintenance, and decommissioning of equipment, and to control leaks impacting the environment.



- We have installed insulated doors to the walk-in refrigeration point of sale coolers in our U.S. and Mexico locations, which are closed when we are not open. These doors allow point of sale coolers to maintain temperature more easily while putting less stress on the refrigeration system. The estimated annual savings is 95,000 kWh per location. Our rollout plan through 2021 anticipates that we will have installed 841 doors, with an estimated annual savings of 7,980,000 kWh of energy.



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



DEPOT DISTRIBUTION CENTERS

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

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

Reverse Logistics

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

Examples include:

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

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

Fulfillment Centers

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



BUSINESS DELIVERY FLEET

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

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

- Testing solar power to replace batteries
- Using half pallets that are lighter and more efficient for delivery to small businesses
- Implementing new coolers that reduce the amount of dry ice by replacing them with gel packs
- In 2020, due to the successful test of two electric trucks in California, these trucks are now permanently within our fleet.

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

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

COSTCO LOGISTICS

In FY 2020, Costco acquired Innovel Solutions (since renamed Costco Logistics), a third-party, end-to-end logistics company that provides "final mile" delivery across the U.S. and Puerto Rico, complete installation, white glove capabilities for "big and bulky" products, and dedicated call centers. With over 1,500 new employees, 11 distribution/fulfillment centers and over 100 final-mile cross-dock centers, we will be able to improve and grow our Ecommerce sales of "big and bulky" items at a faster rate, while also improving overall member service and speed of delivery for these items.



EMPLOYEE TRANSPORTATION

Costco continues to encourage its employees to utilize alternative forms of transportation with the goal of reducing energy consumption, emissions and commuter gridlock. The Commute Trip Reduction (CTR) program began more than 20 years ago at the corporate office with 18 vanpools, and by early 2020, had grown to 69 vans with 494 riders. With more employees working from home due to COVID-19, we experienced a temporary decrease by 28% of employees participating. Vans, fuel, maintenance and insurance are provided by five local transit agencies. Employees also receive a substantial financial subsidy from Costco, which in many cases covers their entire monthly commute expenses. Employees who regularly ride the bus are also eligible for this financial subsidy. Costco also has vanpools at its San Diego, Los Angeles and Mexico City regional offices, as well as many Costco warehouses.

In May 2019, Costco's corporate offices began a pilot program with Waze Carpool for employees who want to commute more efficiently, yet lack the flexibility or consistency required to commit to a vanpool. This program allows us to track metrics monthly, including the number of carpools, average commuting distance, total miles carpooled and CO₂e avoided. Additionally we continue to have many employees who choose to informally carpool with coworkers. We also offer secure bicycle storage facilities and locker room use for employees who choose to ride to work. Finally, recharging stations are available in three locations at our corporate offices for employees who drive electric vehicles.



CHARGING STATIONS

Costco continues to increase available electric vehicle charging stations and now has 16 locations (including the corporate office), supporting 48 charging stations.

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WASTE MINIMIZATION

As one of the largest retailers in the world, Costco understands our potential impact on the global waste stream and greenhouse gas emissions caused by waste. Costco's goal is to continually decrease the amount of its waste going to landfills.

WASTE DIVERSION FROM LANDFILL

	FY2018	FY2019	FY2020
Landfill	273,389 U.S. Tons	312,487 U.S. Tons	291,269 U.S. Tons
Diverted from Landfill	683,493 U.S. Tons	831,594 U.S. Tons	907,114 U.S. Tons
Diversion %	71.4%	72.7%	75.7%
Reporting Regions	5	10	12

In fiscal year 2020, Costco reported a diversion rate of 75.7%, with 12 regions reporting. We are continuing to develop our reporting systems that further refine our diversion rate for all regions where we operate, and to further include all ancillary business operations. Costco's current goal is to divert 80% of waste generated within our global operations. Examples of our waste management diversion programs include donations, anaerobic digestion, recycling, composting, animal feed and waste to energy programs. Costco is committed to expanding these programs through partnerships, efficiencies and technologies. For more information, please view this [Global Waste Diversion Summary](#).

This year's diversion rate increase reflects an abnormal year due to COVID-19. Some reasons for this increase may be attributable to the fact that we did not provide samples, the food court dining areas were closed, and due to our continuing prioritization of food bank donations.

EFFICIENCIES, COST SAVINGS & REDUCED EMISSIONS

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

By diverting waste from the landfill, Costco increases the efficiency of waste hauling from our locations, which reduces fuel consumption, CO2 emissions generated from transportation, and hauling costs. Costco continues to examine waste disposal programs to maximize efficiency and to reduce costs. An additional tool we use in the U.S. is Wastenet™ to monitor waste placed into our compactors. We are currently monitoring 179 compactors to ensure full capacity for hauling, and we are continuously looking to add additional systems where it makes sense. Monitoring has reduced our trash hauls by 11.2%, an increase in efficiency of 2.3% since last fiscal year.

In addition, less waste to landfill reduces Greenhouse Gas (GHG) emissions caused by methane that is released from decomposing materials in the landfill.



For food waste, we follow the above Food Waste Hierarchy.

Source Reduction

There are numerous ways we reduce food waste at source and within our operations through the creation of new items. Please see examples of source reduction on the [Kirkland Signature™](#) page.



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

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

Our delis continuously work to improve their procedures to reduce the amount of unsold chickens through improved efficiencies. In the U.S. from fiscal year 2019 to fiscal year 2020, our deli department decreased unsold chickens by 93%.

Other examples include:

- Conversion of croissants into an Almond Croissant dessert item sold in **Japan**
- Purchasing ground beef from our meat department to produce stuffed peppers – saving approximately 1 million pounds of wasted food in the **U.S.** in fiscal year 2020
- Similar to the U.S., **Canada** also purchases ground beef to create Shepherd's Pie and Stuffed Bell Peppers
- In fiscal year 2020, **Japan** recovered 19,810 pounds of unsold melon, at peak ripeness, to create a high-quality smoothie to sell in the Food Court



Feed Hungry People

Costco locations worldwide donate edible food products to food banks and other nonprofits in their local communities. Donation programs vary by location and by country.

U.S. Food Donations

Costco continues to expand its program and partnership with [Feeding America](#) and other local food banks to prevent food from being wasted. Feeding America is a national organization in the U.S. that works with local food banks to bridge a partnership with our U.S. locations. Through these combined efforts, we are able to provide meals to individuals and families that are food insecure.

During 2020, many food banks were affected by COVID-19. There were shortages in volunteers, donation pickup interruptions and an overall increase in need from communities all over the U.S. Our goal was to continue to donate as much as possible to the communities where we operate to support those in need. In fiscal year 2020, Costco warehouses and depots donated more than 67 million pounds of edible food products in all states where we operate, which represents approximately 56 million meals donated to people in need. We have continued to grow our program year over year.

	FY2018	FY2019	FY2020
U.S. Food Donations	34.7 million pounds	62.1 million pounds	67.3 million pounds
U.S. Meals Donated	28.9 million meals	51.6 million meal	56 million meals

Costco understands the importance of the types of food donated. We strive to provide healthy and nutritious food. In 2020, over 74.3% of the food donated was in the following categories: Produce/fruit/vegetables (38.6%), Grains/bread (22.5%) and Dairy/protein (13.2%).



Non-U.S Food Donations

In fiscal year 2019, Costco developed a partnership with [The Global FoodBanking Network](#) and has grown this partnership in 2020. Through these efforts we provide resources for our non-U.S. locations to provide food to people in need. Costco currently works with certified members of The Global FoodBanking Network in order to confidently donate to entities that have established food safety standards throughout the food chain. During fiscal year 2020, we have continuously looked to expand our food donation programs in our global operations, increasing donations from 228 non-U.S. locations to 235 locations that are partnered with The Global FoodBanking Network or other local food banks.



Feed Animals

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

- 184 **U.S.** Costco warehouses sent 11.89 million pounds of organic materials to feed cattle and hogs in fiscal 2020.
- Our Kanazawa warehouse in **Japan** sent 2,866 pounds of coffee grounds to be repurposed as cattle feed. The coffee grounds contain great antioxidants to keep the cows healthy and improve the quality of milk.

Industrial Uses

Much of our organic waste is now recycled into usable products, such as organic fertilizer, biofuels and electricity. Globally in fiscal year 2020, Costco diverted over 71.86 million pounds of material from landfills. Examples include:

- 6.9 million pounds of chicken grease produced from rotisserie chickens were recycled, the majority of which was converted into biofuel in the **U.S.**
- 3.2 million pounds of chicken grease recycled in **Canada, the UK, Japan, Taiwan, France and China**.
- 32.79 million pounds of meat and bone scraps were processed through the rendering program in the **U.S.**
- 10.2 million pounds of meat rendering processed in **Canada, the UK, Japan, Taiwan, Australia, Spain, France and China**.
- 165,780 pounds of organic waste was converted into certified organic liquid fertilizer in the **U.S.**
- 17.2 million pounds of food were recycled at anaerobic digestion facilities to create energy in four marketplaces near some of our locations in the **U.S.**
- The **UK** is also actively adding food waste programs in their warehouses. They currently have 15 warehouses sending food waste to anaerobic digestion facilities recycling 1,404,340 pounds.

Composting

Over 70 warehouses in the **U.S.**, an increase of 10 warehouses, send organic waste to commercial compost facilities to create a nutrient-rich soil conditioner. Warehouses have sent 14.6 million pounds to compost facilities.

Landfill or Waste to Energy (WTE)

Compactors that are hauled to waste-to-energy facilities may include organics in their mix of waste. These items are used to generate energy. Our goal is to continuously move food waste up in the hierarchy and out of landfills.

REDUCING NON-FOOD WASTE

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

Donate

Costco has grown its program with [World Vision](#) to donate first-quality items that used to be destroyed, recycled or returned to the supplier. In fiscal year 2020, we donated to people in need in 32 countries. More information can be found in the [Costco-World Vision Summary](#), which contains a list of the items donated and some stories that illustrate the impact of these donations.



Besides providing items to people in need valued at over \$79.9 million for fiscal year 2020, efficiencies are also gained, including reduced trips to the landfill and savings on trash fees for both Costco and our suppliers.

Recycle



Over 600,044 tons of cardboard and plastic wrap recycled globally in 2020

Corrugated Cardboard and Shrink-wrap

Warehouses routinely backhaul stretch-film and corrugated material generated from daily operations to our distribution centers in order to recycle. This practice, together with recycling at our newly acquired business, Costco Logistics, diverted over 600,044 tons of material from the landfill in fiscal year 2020, while generating income and reducing our carbon footprint. This is an increase of 63,223 tons or 11.7% over last year.

**TOTAL TIRES
RECYCLED
FY2020
6,498,678**



Tires

Costco recycled over 6.49 million tires in the **U.S.** in fiscal year 2020. While 16% of our tires are resold, over 80% are recycled into several different beneficial uses, including tire-derived fuels used primarily in cement kilns; crumb rubber used as an additive for road surfaces or pervious surfaces around roads, sidewalks and pathways; mine reclamation; daily landfill cover; and decorative mulch.

Paper

Costco has established a recycling program for paper in our offices and warehouses to capture loose paper, coupon brochures, magazines, and paperback books that are no longer usable or saleable. In fiscal year 2020, we recycled over 3.45 million pounds of paper in the **U.S.** and 2.22 million pounds recycled in **Canada, the UK, Japan, Taiwan, Australia, France, and Iceland**. We continue to move to paperless programs when applicable.

Costco & iGPS recycling partnership



Empty plastic stock bottles

iGPS pallets

Plastic

In fiscal year 2020, Costco and iGPS Logistics developed a test program in the **U.S.** to recycle empty plastic stock bottles from our Central Fill Pharmacy to an important component of their plastic pallet manufacturing process. These pallets will be used by our suppliers and in our warehouses with a projected life cycle of 10 years. At the end of the iGPS pallet lifecycle, 100% of the plastic is recycled again — resulting in a circular and sustainable solution to pallet management.



Metal

In fiscal year 2020, Costco piloted a program with our depots to recycle scrap metal. Through this program, we will be able to recycle all metal that cannot be processed through standard single stream recycling bins. There are currently 85 **U.S.** warehouses participating in this program, and we will continue to expand to all U.S. locations. Collectively, through our pilot program and other local scrap metal programs, Costco was able to recycle 9.9 million pounds of scrap metal.

Recycle to Repurpose - Styrofoam®

In the **U.S.**, Costco increased recycled expanded polystyrene (foam) from 414,580 pounds in fiscal year 2019 to 479,980 pounds in 2020, a 15.8% increase. This material is densified and distributed to manufacturers that make picture frames, crown molding and other polystyrene products.

Waste to Energy

Waste (organic and non-food) also is used to generate energy. Costco currently has 59 locations in the **U.S.** that send trash to waste-to-energy facilities, essentially making these locations landfill-free. This program represents 54.8 million pounds of post-recycled waste that generated 15,088,438 kilowatt-hours of renewable energy, enough to power 14,907 homes for a month.

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Water is a precious and limited resource that cannot be wasted. With rising temperatures, water use is also rising, causing water shortage concerns throughout the world. Costco understands the importance of water conservation and has implemented comprehensive water management programs to help us reduce operational water waste and improve the quality of both our wastewater and stormwater discharges.

COMPREHENSIVE WATER MANAGEMENT SYSTEMS

Since 2008, Costco has partnered with APANA™ to implement an Intelligent Water Management System. Costco continues to drive operational efficiency by using this program to lower overall operating costs through the elimination of waste in water and sewer use. Ultimately, this reduces related energy and maintenance costs. Using the APANA program, Costco is able to monitor real-time water use, detect inefficient consumption, and guide operators to quickly identify and reduce waste.

APANA Water Management Systems are currently installed in every warehouse in the U.S., Canada, Mexico and Japan. Costco has plans to expand APANA systems to our other locations worldwide.

By installing Apana water metering systems, Costco locations can now:

- Detect, in real time, mechanical failures that can be resolved quickly and can now better track operational water waste to allow more efficient water use and/or reduced water usage
- Use less water to lower the energy demand needed to operate the entire water system, which in turn reduces Costco's carbon footprint, expenses and environmental impact
- Create an enhanced awareness of water use and stewardship throughout all facets of operation

In FY20, operational water use in North America decreased by an average decrease of 506 gallons per day, per location. That amounts to a total savings of over 125 millions of gallons.



GROUNDWATER & IRRIGATION SYSTEMS

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

Costco uses the APANA platform to reduce water waste and protect assets such as parking lot surfaces, retaining walls, and building foundations. An additional 320 irrigation meters were added this past year. This helps our operators identify issues immediately and avoid expensive repairs later. Other structural and operational enhancements include:

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



WASTEWATER & STORMWATER PLANS

We also have wastewater and stormwater plans and procedures to ensure our locations remain in compliance with local and federal regulations. We have a team of Environmental Sustainability and Compliance Managers throughout the U.S. who, in partnership with our corporate water systems supervisor, work directly with all locations to track and respond to all water waste or quality concerns. Using APANA to identify water waste; fats, oils and grease (FOG) programs to address the quality of our waste water discharge; and Environmental Compliance Plans for stormwater management allows us to maintain a comprehensive view of our impact on water resources in the communities where we do business.

VERTICAL INTEGRATION FACILITIES - WATER SAVINGS

In 2019, Costco began selling chicken and romaine lettuce produced in new, vertically integrated facilities, which are described in more detail on our [Kirkland Signature™](#) page. Both facilities have been designed with water preservation, re-use, efficiency and treatment in mind.

Costco worked with the City of Fremont, Neb., to expand their wastewater treatment plant in order to ensure that the wastewater generated at the chicken plant is treated before returning to the local watershed. In addition, through a process of air chilling, early results reveal substantial water savings of 2 million gallons per week in comparison to typical water chill processing. The APANA Intelligent Water Management System was also installed at this facility.

At the romaine lettuce greenhouse, early estimates indicate that 80% less water will be used in comparison to conventional farming and that there will be 0% wastewater runoff. In addition 80% of the water is recycled, with the balance being used by the plants.



CAR WASHES

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

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



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

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

In 2020, we held our second-annual Global Sustainability Summit. The purpose of these summits are to share best practices, review compliance, and discuss upcoming projects, with the goal of creating a consistent and global approach to environmental compliance, while also respecting local laws and regulations.

For operations, we are building on our existing environmental compliance platform through the new Sustainability Technical Assistance Review (STAR) to formalize standards and requirements in five key focus areas. STAR rolled out in September 2020 across the United States. By working toward STAR goals, Costco is building the capabilities to track compliance and dynamically monitor resource use at all our warehouses – at an individual and aggregate level. Our aim is to integrate the people, systems, policies, data, and standard operating procedures in support of the following five focus areas: (1) ensure environmental compliance, (2) minimize water usage, (3) minimize energy consumption, (4) increase waste diversion, and (5) reduce carbon emissions.

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Costco is committed to providing our members with high-quality goods at the lowest possible price in a way that is respectful to the environment and to the people and animals that produce these goods. There are many factors that go into how we source our goods and this section highlights those many factors.



HUMAN RIGHTS



ENVIRONMENTAL IMPACTS & LAND STEWARDSHIP



PACKAGING



ANIMAL WELFARE



SUSTAINABLE FISHERIES & AQUACULTURE



CHEMICAL MANAGEMENT



KIRKLAND SIGNATURE

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HUMAN RIGHTS

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

SUPPLIER CODE OF CONDUCT



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

Our Supplier Code of Conduct

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

- Prohibits slave labor, human trafficking, illegal child labor, illegal prison labor, physical and sexual abuse, bribery or attempted bribery, and health and safety conditions posing immediate risk to life and limb
- Expects our suppliers to comply, at a minimum, with the applicable labor and environmental laws and regulations of the country where the merchandise is produced
- Encourages our suppliers to work to achieve "Above and Beyond Goals"
- Currently allows suppliers to use legal prison labor, to support rehabilitation and restitution, under specific conditions, which are outlined in our [Global Policy on Prison Labor](#). We are beginning to transition away from our limited use as set forth in our [2020 Statement on Prison Labor](#).

Supply Chain Risk Assessment

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

To support our risk assessment work, we partnered with Verisk Maplecroft to provide a deeper analysis of our supply chain data overlaid with various political, human rights, economic and environmental risk indices. This will help us to further prioritize and dedicate resources to the areas of our supply chain most vulnerable to social and environmental risks.

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

Verification

In FY20, over 4,200 independent third-party audits were conducted. For facilities considered intermediate to high risk, audits are required annually at a minimum, and more frequently if corrective actions to Code violations require onsite verification.

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

- For those suppliers that are in full compliance with our Code of Conduct, subsequent audits may be less frequent, as a way to reward suppliers and to encourage continued compliance long term.
- We recognize there is always room for continuous improvement and that some suppliers will need assistance to come into full compliance with our Code. For suppliers with audits that reveal the need for improvement, Costco requires Corrective Action Plans, re-audits to determine progress. Costco also offers other capacity building services that improve management systems to address the root causes of previous violations of the Code. Costco prefers to work with suppliers and/or their facilities to correct Code violations rather than apply sanctions that may cause further hardship to workers and their families who depend upon the employment.
- Depending on the severity or lack of remediation of a Code violation(s), we do reserve the right to terminate our relationship and/or purchase order(s) with a supplier and/or their facility and have done so.

COVID-19

It is important to note the impact of COVID-19 on the safety of workers in our supply chains, as well as on our verification efforts. With regard to worker safety, in FY20 we incorporated a COVID-19 Preparedness Observations Checklist in each of our on-site audits. This has helped educate suppliers on best practices for protecting their workforce and assess suppliers' alignment with that guidance. Where circumstances have restricted the ability to conduct independent on-site audits, we offer suppliers a self-assessment (including a remote review of documentation) and worker survey. This is to insure the safety and security of our suppliers' workers and that of the auditors.

Employee Engagement

In 2020, Costco continued our programs to educate our employees on the importance of our Code of Conduct, through updated training and in-person seminars to review our Code of Conduct requirements.

CONFIDENTIAL ETHICS HOTLINE

We have a global confidential ethics hotline to promote and monitor compliance with our Code of Ethics, our Supplier Code of Conduct, and other legal and ethical policies: www.costco.ethicspoint.com. The inquiries generally are categorized around concerns relating to wages/hours, treatment of employees, unauthorized subcontracting, etc. When we receive inquiries, we investigate thoroughly and depending upon the issue, may work with suppliers directly, conduct independent third-party audits and/or may terminate our relationship with suppliers if appropriate remedial action is not taken.



HUMAN TRAFFICKING

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

More information can be found in these statements:

[Australia Modern Slavery Act Statement](#)

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

[UK Modern Slavery Act Statement](#)



CONFLICT MINERALS

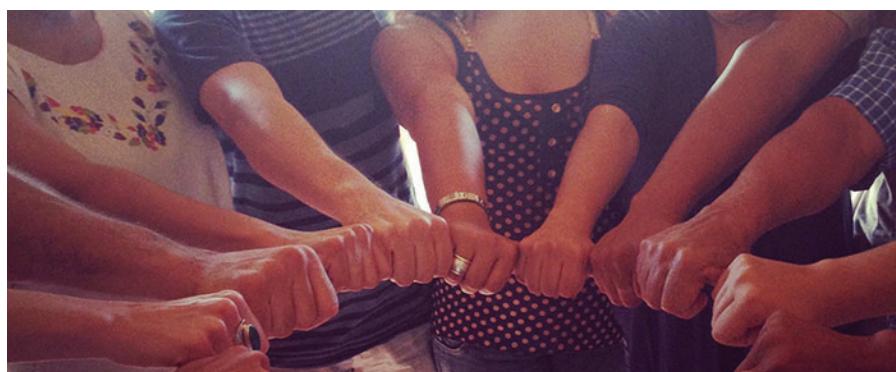
In response to human rights abuses in parts of Africa, Costco has adopted a [Conflict Minerals Policy Statement](#). More information can be found in our [Form SD](#) and [Conflict Minerals Report](#). In addition to our efforts to address the targeted Conflict Minerals of Section 1502 of the Dodd-Frank Act (i.e., tantalum, tin, tungsten and gold), we have added cobalt as a mineral of focus to our Conflict Minerals compliance program for FY20. This is due to reported concerns over social and environmental impacts of cobalt extraction in the Democratic Republic of Congo.

Gold Jewelry Traceability

In FY19, Costco launched a category-specific traceability program with our gold jewelry suppliers to begin to learn where the gold in our jewelry comes from, with the goal that the gold in our jewelry will be responsibly and sustainably sourced. We are developing a third party chain of custody review to verify the data identifying all supply chain links back to the smelter/refinery level.

Responsible Minerals Initiative

Costco is a member of the [Responsible Minerals Initiative \(RMI\)](#), which is a resource to help companies address responsible sourcing of minerals. Specifically, Costco utilizes the RMI's Conflict Minerals Reporting Template to trace the supply chain, and the RMI's Responsible Minerals Assurance Process and database to manage the conformant status of smelters and refiners in our supply chain that are likely to supply minerals of 3TG (tantalum, tin, tungsten and gold). Costco also leverages its membership in the RMI to attend their annual conference and Members Meeting, as well as their periodic plenary conference calls to discuss emerging issues and best practices on responsible mineral sourcing, and to work on addressing shared challenges.



STRATEGIC COLLABORATION

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

Seafood

Costco buys a significant amount of seafood from Southeast Asia. We helped organize and are an active member of the [Seafood Task Force](#), which assesses labor practices in the fishing industry. The Task Force includes representatives from Thai shrimp feed manufacturers, shrimp and tuna processors, certain major retailers in the U.S. and Europe, and nongovernmental organizations. The Task Force has engaged with the Thai government and has set three primary objectives:

- Implement verification systems to trace fish supplied to the feed mills
- Create and enforce a code of conduct for vessels sourcing fish for fish meal plants
- Improve the sustainability of two of Thailand's major fisheries that supply fish meal

Costco continues to support the Responsible Recruitment Oversight subgroup of the Seafood Task Force to explore responsible labor recruitment. The group's primary goal is to leverage the power of the membership to build demand for ethical recruitment practices throughout member supply chains.

Recruitment

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

Seafood

In 2019, a pilot program was initiated with over ten recruitment agencies to certify compliance with the Seafood Task Force's (STF) policy on responsible recruitment. Learn more about the STF's work on [Responsible Recruitment](#).

Agriculture

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

Foreign Labor

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

Agricultural Produce

Equitable Food Initiative (EFI)

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

Costco pays a premium for this EFI-certified produce to directly compensate farmworkers for the extra effort they provide.

EFI provides:

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

Fair Trade

Costco and some of its produce suppliers continue to support a program with Fair Trade USA, which directly engages with farmworkers to promote sustainable incomes, safe working conditions, environmental stewardship, and strong, transparent supply chains. The Fair Trade model also empowers farmers and workers to fight poverty and to earn additional money with every sale to improve their communities. Through our direct engagement, farmworkers are provided with:

- Training on food safety and quality, labor rights, health and safety, and family financial planning.
- Improved communication and measurable impacts.
- Fair Trade premiums to help cover the worker's cost of living.

Ethical Charter on Responsible Labor Practices

In FY19, Costco began to support the efforts of the Produce Marketing Association and the United Fresh Produce Association to create an industry-wide framework on the responsible production and procurement of fresh fruit, vegetables and flowers. This mission is captured by the Ethical Charter, of which Costco is one of many endorsers representing the fresh produce industry, including growers, labor agencies, packers, distributors, foodservice operators, marketers and retailers. In FY20, Costco and others worked to develop a pilot aimed at educating and building the capacity of select produce suppliers to strengthen their alignment with the Values and Guiding Principles of the Ethical Charter. The program launched in September 2020.

Cotton

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

Costco remains a signatory to the multi-stakeholder pledge promoted by the Responsible Sourcing Network concerning forced child and adult labor in Uzbekistan. We work to keep cotton produced by child and adult forced labor in Uzbekistan and Turkmenistan out of our Kirkland Signature™ items. We also collaborate with a multi-stakeholder coalition to raise awareness of this very serious concern and to press for its elimination. More information can be found in our [Pledge Concerning Cotton](#).

Additionally, in 2019, we began a cotton traceability program to further understand where the cotton in our apparel products originates. To date, the program now covers Kirkland Signature apparel and home textile products.

Apparel from Bangladesh

On December 31, 2018, the Alliance for Bangladesh Worker Safety (“Alliance”), completed its term and ceased operation. The original mission of the Alliance was to substantially improve worker safety in the ready-made garment industry by upgrading factories, educating workers and management, empowering workers, and building institutions that can enforce and maintain safe working conditions throughout Bangladesh. Major improvements have been made at Alliance-affiliated factories, but more work is needed.

With the Alliance for Bangladesh Worker Safety winding down its operations, several former Alliance members and other brands committed to sustaining the culture of factory safety in Bangladesh by launching Nirapon, a U.S.-based organization tasked with overseeing the ongoing safety, training and helpline efforts of the factories from which Nirapon members source. Costco supports the work of Nirapon in addressing building safety in the apparel industry of Bangladesh.

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

Responsible Labor Initiative

Costco remains a member of the Responsible Labor Initiative (RLI), which primarily focuses on promoting the rights of workers vulnerable to forced labor globally. This initiative represents another opportunity for Costco to join a diverse network of stakeholders focused on combating forced labor in our supply chains. Through our work with the RLI, we will continue to focus on leveraging industry-based efforts to drive significant impact on the ground where our products are sourced.

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Last Updated: May 2021



ENVIRONMENTAL IMPACTS & LAND STEWARDSHIP

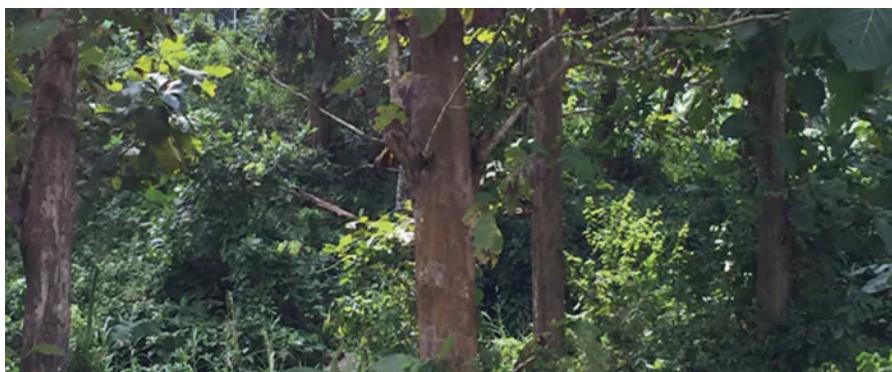
Costco understands that it has a responsibility to source its products in a way that is respectful to the environment and to the people associated with that environment. Our goal is to help provide a net positive impact for communities in commodity-producing landscapes, by doing our part to help reduce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

STEWARDSHIP GOALS

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

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

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



FOREST CONSERVATION COMMITMENT

Introduction

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

We believe that our most impactful first steps to help support good forest stewardship practices and to protect forests are to (1) source our wood, paper, and fiber-based products from responsibly managed and certified forests, and (2) use recycled content and alternative fibers when feasible. While we desire all products to be sourced this way and encourage our suppliers to follow this goal, we have focused our efforts on our Kirkland Signature™ products. For more information, visit the [Forest Conservation Commitment](#) page.

Certified Fiber

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. The certification is dependent upon numerous factors, some of which include the currently available supply for each product, the geographic origin of the product, and the country where the product is produced. These certifications help to ensure that the needs of the forest ecosystems and their communities are balanced with conservation of our forests for future generations.

Recycled Content

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

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

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

Key Commodities

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

Palm Oil

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

Our goal is that all palm oil used in Kirkland Signature products globally will be 100% RSPO certified (or equivalent) by 2021 or sooner, with a preference for physical palm. As of 2019, 96% of our palm oil is RSPO certified and more information can be found on the [Oil, Honey & Spices](#) product page.

Wood, Pulp & Paper

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

- All teak sold at Costco is FSC 100% certified. Costco sells other FSC-certified solid wood products, including cedar wood playsets, gazebos, bee houses, outdoor furniture and pavilions.
- Based upon the volume of fiber used in our Kirkland Signature paper-based products, 99.8% is from the FSC, SFI and/or PEFC certified forests, as indicated in the chart below. We are working toward 100% certification that will include our Gift Tissue and Photo paper that represent 0.2% of this fiber volume.

Kirkland Signature Product Type	 FSC	 SUSTAINABLE FORESTRY INITIATIVE SFI-01961	 PEFC™ PEFC/29-84-13
Bath Tissue	94.1%	5.9%	
Paper Towel	1.7%	62.8%	35.5%
Napkin	1.9%	98.1%	
Facial Tissue	82.5%	17.5%	
Parchment Paper	100.0%		
Gift Wrapping Paper	100.0%		
*Gift Tissue			
**Photo Paper			
Total by Certification	66.2%	23.9%	9.7%

*From certified forest and recycled content, no certification on pack yet

**Photo Paper FSC controlled wood sources, no certification on pack yet

- Register tape used in our U.S. and Canadian warehouses and gas stations is FSC- certified and is also phenol-free (no BPA or BPS). We are working to expand that to all warehouses worldwide. More information can be found on our [Chemical Management](#) page.
- *The Costco Connection* magazine, which includes all of our global editions, *Costco Today* and Multi Vendor Mailers are certified by FSC, PEFC or SFI.
- Our U.S. warehouse pharmacy is currently transitioning to customer bags with FSC-certified recycled content.

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

Soy

Costco understands that soy is a major driver of tropical deforestation in countries such as Brazil. For that reason and others, Costco will continue to source Kirkland Signature™ soy-based products, such as Kirkland Signature Soybean Oils and Kirkland Signature Organic Soy Beverage, from the U.S. and Canada. More information can be found on the [Oil, Honey & Spices](#) product page.

Cocoa

Costco will continue to support efforts to eliminate deforestation in cocoa production. We are aware that the Côte d'Ivoire has lost 80% of its forests in the last 50 years and that cocoa production is one of the drivers of that loss. The majority of cocoa sourced for Kirkland Signature chocolate products is from Costco's Sassandra Cocoa program, located in the Côte d'Ivoire. Costco continues to fund the distribution and replanting of trees to facilitate reforestation and agroforestry efforts, for a total of 151,000 trees to date. Our goal is that 100% of cocoa farmers in the program 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. GPS polygon mapping continues to grow, with 88% of the farms mapped as of September 2020.

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

- 1.1 Million hybrid high-yielding cocoa seedlings have been distributed, enabling 2,100 farmers to replant a total of 1,100 hectares
- 28,000 *Gliricidia* cuttings and 15,000 forest trees have been distributed to provide a natural source of nitrogen and serve as shade trees, respectively.
- Farmers continue to be given a choice of varieties of native forest/fruit tree saplings to plant and, in the last two crop seasons, total saplings distribution increased to a total of 108,881.

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

Beef

Costco recognizes that beef production can have negative environmental impacts such as being a source of tropical deforestation. Costco remains committed to sourcing Kirkland Signature beef items, including in our meat case, from sources that are deforestation-free.

Costco does not source Kirkland Signature beef from high deforestation risk countries such as Brazil, Colombia, Argentina, or Paraguay. Over 80% of our Kirkland Signature beef is sourced from the U.S. and Canada.

Costco is a member of the U.S. Roundtable of Sustainable Beef, and the Canadian Roundtable of Sustainable Beef, and engages with the Australian Beef Sustainability Framework. These multi stakeholder organizations facilitate the system-level change that is needed to address many of our environmental concerns. More information can be found on the [Protein & Plant-Based Alternatives](#) product page.



POLLINATOR HEALTH & CHEMICAL REDUCTION

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

Research Support

We have invested over \$5.9 million for honey bee research, putting natural forage back on the landscape, and best practices improvements with Project *Apis m.* in the U.S. and Canada. More information can be found on the [Oils, Honey & Spices](#) product page.

Pollinator Friendly Agricultural Practices

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

The seed mixes available through the [Seeds for Bees](#) program of Project *Apis m.* that we support are designed to provide multiple benefits to managed honey bees, native pollinators and crops. Some mixes bloom at critical times of the year when natural forage is scarce, but when managed bees are active. Seeds for Bees serves the needs of beekeepers and growers while increasing sustainability and biodiversity. In 2019, Seeds for Bees also developed a Western monarch habitat seed mix to address the dwindling Western Monarch Butterfly population. To date, the Seeds for Bees program has planted over 38,000 acres of cover crops in California.

Chemical Use Reduction

Pollinator Health Policy

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

Progress Update

Our suppliers share our concern to minimize chemical use and have been phasing out the use of neonicotinoids and chlorpyrifos. We remain committed to working with our suppliers to phase out harmful chemicals. Below is a summary of our progress:

- Live Goods: In FY20, we conducted a follow-up survey to U.S. live goods suppliers to determine their use of neonicotinoids since our last survey of 2014. As of FY20, 70% of our suppliers have moved away from using neonicotinoids, which is an increase from 62% in 2014. The remaining 30% of U.S. suppliers apply neonicotinoids in limited situations and/or because they are required by law to do so. Regarding the use of chlorpyrifos, less than 1% of our supplies state they use this chemical.

- Fresh Flowers: In FY20, we surveyed our U.S. fresh flower suppliers and learned that 85% do not use neonicotinoids or chlorpyrifos. The remaining 15% use limited amounts with risk mitigation.
- Roses: The majority of the roses we sell worldwide are Rainforest Alliance certified, which prohibits the use of neonicotinoids and limits the use of chlorpyrifos with risk mitigation. Our UK locations sell roses sourced from Kenya and these suppliers do not use chlorpyrifos. Instead they use integrated pest management systems, use neonicotinoids in limited situations and, since the roses are grown under cover, pollinators are further protected from exposure to neonicotinoids. More information can be found on the [Organics, Greenhouse Grown & Horticulture](#) product page.

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

Costco is part of a fresh produce multi-stakeholder effort – that includes farmers, suppliers, and NGOs to improve labor practices, environmental stewardship, and food safety – for the benefit of workers, agricultural communities, businesses, and consumers. More information can be found on the [EFI website](#) and in our [Human Rights](#) page.

As of July 2020, 15 Costco suppliers are working with EFI on 41 certified operations employing nearly 28,600 workers. In addition to labor and food safety standards, certification also includes:

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

Expanded Product Selection

Garden Products:

- Costco now sells a number of organic and alternative gardening products, which contain natural and/or organic elements
- By 2019, all of our locations worldwide had ceased to sell any garden products containing glyphosate in any of our locations worldwide and that continues to be the case for FY20.
- In the United States, we also no longer offer garden products containing neonicotinoids or chlorpyrifos.
- Since 2018, we have sold various Bee Houses, including Mason Bee Houses that support native pollinators, allowing our members an opportunity to also support pollinator health in their own home garden areas.

Organics and Greenhouses

We also continue to expand our selection of organic products and have increased products grown in greenhouses, which in turn supports pollinator health. For more information, please see our [Organics, Greenhouse Grown & Horticulture](#) product page.

CONSERVING & RESTORING NATURAL ECOSYSTEMS

Regenerative Agriculture

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

Northern Great Plains Preservation

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

Costco has partnered with the World Wildlife Fund (WWF) and others to help protect the NGP intact grassland ecosystem and to test the U.S. Roundtable for Sustainable Beef's (USRSB) sustainability framework to ensure it is useful and practical for cow-calf producers in the NGP.

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

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Last Updated: December 2020



In 2020, we continued our focus on packaging – an area of our business where continuous improvement is needed.

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

TRADE-OFFS & LIFE-CYCLE ANALYSIS

Trade-offs

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

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



Egg Packaging Trade-offs

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

Life-cycle Analysis

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

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

GLOBAL PACKAGING PLAN OVERVIEW

In 2019, we introduced our Global Packaging Plan to address many aspects of our business. It is divided into three categories: packaging goals, implementation plan and packaging strategies. Here is an update on our progress for fiscal year 2020.

Packaging Goals

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

Implementation Plan

1. Adopt global packaging, recycling and waste strategies for both operations (including operational waste and incoming pallet product packaging waste) and merchandising. Our progress for 2020 includes the following and can be reviewed in more detail on our [Waste Minimization](#) page.
 - Developed and implemented Standard Operating Procedures for operational packaging waste in U.S. locations
 - Launched the iGPS plastic pallet recycling pilot program
 - Increased shrink and cardboard recycling in operations by 11.7%, a portion of which comes from incoming pallet packaging of products sold in our locations
2. Create internal systems to track and monitor our operational packaging waste and packaging footprint. Our progress for 2020 includes:
 - Launched a packaging data collection process in an effort to gather accurate, detailed packaging information and develop a clear understanding of our packaging footprint. This project will allow us to more closely track our materials use in our packaging choices, determine more effectively where we can make improvements and provide more transparency in the supply chain. With this information, we can make targeted goals based on actual data and make meaningful improvements
 - Made continued improvement to our global operational waste diversion reporting systems
3. Explore partnerships to support innovations for packaging and packaging waste. Our progress for 2020 includes:
 - Joined and/or became members and participated in numerous packaging organizations which include:
 - i. [SPC](#): Sustainable Packaging Coalition
 - ii. [How2Recycle](#) label program
 - iii. [APCO](#): Australian Packaging Covenant
 - iv. [APR](#): Association of Plastics Recyclers
 - Worked with materials experts at universities for input and advice
 - Partner with our suppliers to improve packaging. For example, a supplier in the [UK](#), provides a comprehensive packaging option that reduces plastic packaging, uses recycled content, creates recyclable packaging and uses FSC certified fiber. To learn more, please see our U.K. [Costco Connection article](#), [Beyond the box](#).

Packaging Strategies

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

Progress on these are outlined below.

1 REDUCE THE AMOUNT OF PACKAGING OVERALL

Importance of Reduction

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

Progress to Date – Reduction Efforts

In 2019, we began an internal review to determine our packaging footprint. We determined that we have implemented packaging in the last several years that reduces our plastic footprint by over 6 million pounds annually. For more information, please view our [2019 packaging footprint](#) summary.

Costco continues to make progress toward reduction of packaging as we review each item for opportunities to make meaningful changes. Each year brings new progress in our quest to add more items to this initiative. In 2020, we further reduced plastic by over 2.6 million pounds, in addition to converting over 6 million pounds of single-use food service packaging to compostable items. We are making great strides in this effort, as our year-over-year progress continues to add up and examples of our packaging footprint reduction in 2020 include:

- Bakery reductions in **Taiwan**, **South Korea** and **Japan** totaling 195,000 pounds that feature converting plastic cake boxes to paper boxes with film windows. In Japan, bakery reductions also include reducing the plastic weight in two croissant containers.
- Service Deli reductions in the **UK** and **Australia** include six different take-home containers redesigned to use less plastic – a total of over 168,000 pounds.
- Some of the produce department reductions achieved by our many suppliers around the world include corn packaging in **Australia**, organic leeks packaging in **Spain**, four items in Japan and changing the packaging in **South Korea** for mushrooms to a paper case.
- Additional produce item reductions include eight clamshell conversions in **Iceland**, two clamshell changes in **Mexico** and removing the plastic bag on bananas.
- Further produce packaging changes for the **UK** include five clamshell conversions for tomatoes, apples and cherries.
- In **Canada**, fresh Dynamic Duo Potatoes have moved from a plastic bag to a paper bag, reducing plastic by over 40,000 pounds.
- In the **U.S.** produce packaging changes on an additional 11 items drove the total plastic reduction in produce globally to over 1.4 million pounds.
- In the Freezer category, **U.S.** packaging changes to Kirkland Signature Tempura Shrimp and the removal of individual wrapping of boneless, skinless chicken breasts, reduced plastic packaging by over 443,000 pounds annually.
- Food Court packaging changes in **Australia**, **Iceland**, **Japan**, **South Korea** and the **U.S.** further reduced plastic by over 485,000 pounds.

We continue to review and test items for further opportunities to reduce plastic and other materials. While the pace of change may appear slow, it can take several years to scale the changes, review, test and roll out across an international business of our size.

2 INCREASE THE RECYCLED CONTENT & CERTIFIED FIBER IN ALL PACKAGING

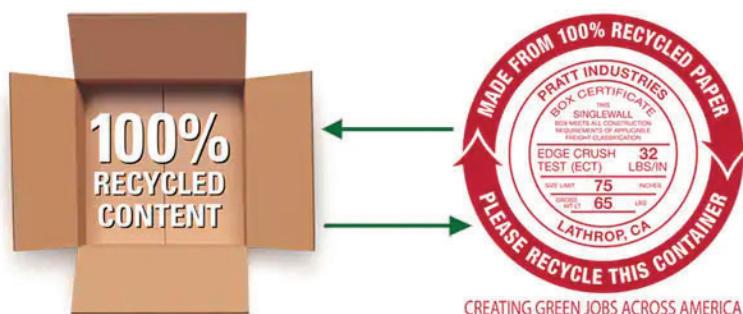
Importance of Recycled Content

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

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

Importance of Certified Fiber-based & Corrugated Packaging

Whenever possible, fiber used for paper-based packaging should come from known sources, should be procured from well-managed forests and should not contribute to deforestation. We want our fiber-based packaging sourced from responsibly managed and certified forests and/or use recycled content and alternative fibers when feasible. Costco currently accepts forest management certifications from three leading organizations: Forest Stewardship Council (FSC), Sustainable Forestry Initiative (SFI) or Programme for the Endorsement of Forest Certification (PEFC), with a preference for FSC. We support certified fiber and traceability in fiber and paper resources. More information about Costco's deforestation goals can be found on the [Environmental Impacts and Land Stewardship](#) page.



Progress to Date - Recycled Content

Our use of recycled content in plastic packaging continues to be on par or ahead of global targets set by the many regions in which we operate. Costco has been an active user of recycled content in plastic packaging for many years and continues to increase its use of recycled content. Our use of recycled

fiber also continues to grow. Please view a summary on our [2019 increase of recycled content](#). Examples of our progress in 2020 include:

- Kirkland Signature™ 16.9 oz Water Bottles, depending upon where manufactured or sold, have varying percentages of recycled content with the majority containing a minimum of 50% recycled content, and up to 100% recycled content in some regions.
- **U.S.** Food Court Pizza boxes are now 100% recycled content.
- Kirkland Signature Pet Food bags contain 30% recycled content.
- **Australian** bakery packaging uses 30% recycled content, is recyclable and is now sourced locally.
- **U.S.** Costco Pharmacies are currently transitioning to customer bags with FSC-certified recycled content.
- **U.S.** Costco Ecommerce vinyl bags are now made with 30% recycled content.
- All of our **U.S.** Ecommerce shipping boxes fulfilled by Costco are 100% recycled content.
- In **Canada** our delivery boxes contain 35% to 70% recycled content.
- Kirkland Signature **Canadian** Frozen Pizza packaging now uses 30% recycled content and is FSC certified.
- Fresh meat trays in **Australia** are now 100% recycled content.
- Fresh sushi packaging in the **UK** is 100% recycled content.
- Multiple mastercases for baking nuts and dried fruit contain up to 42% recycled content.
- Kirkland Signature Dog Dental Chews carton contains 72% recycled fiber.
- Kirkland Signature Facial Tissue packaging contains 100% recycled fiber.
- Kirkland Signature spice bottles contain 50% recycled PET.
- Kirkland Signature Organic Milk outer cases are 100% recycled content.
- Kirkland Signature Plant-Powered Ultra Premium Dish Liquid bottles contain 100% recycled content, the new fiber-based corrugated bottle-holder contains 35% recycled content and the mastercase contains 80% recycled content.
- In **Canada**, fresh Dynamic Duo Potatoes have moved from a plastic bag to a paper bag containing 80% recycled content.
- Kirkland Signature Dipped and Chewy Bars outer box now contains 72% recycled content.

Over 70 items now use recycled content and 40 items are packaged with certified fiber materials.

3 INCREASE THE RECYCLABILITY & COMPOSTABILITY OF ALL PACKAGING

The Importance of Recyclability – and the Challenges

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

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

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

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

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

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

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

Progress to Date - Recyclability

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

- In **Australia**, seven fresh meat trays were converted into recyclable packaging, as well as sourced locally.
- In **Spain**, three bakery containers were converted into recyclable packaging.
- In **Japan**, seven bakery containers were converted into recyclable packaging.
- In **Australia**, two containers for the service deli were updated to recyclable packaging.
- In the **UK**, 11 service deli containers were converted into recyclable packaging and labeled for local sorting.
- In the **U.S.** two of our fresh apple product containers were converted into recyclable corrugated packaging.
- Kirkland Signature Plant-Powered Ultra Premium Dish Liquid corrugated bottle-holders are now recyclable.

In sum, in 2020 over 30 new items are now recyclable.

Costco also recycles a great deal of packaging in our daily operations and diverts over a half million tons of packaging annually. Please see our [Waste Minimization](#) page. This was an increase of 15.7% in 2020 from 2019.



80 fewer lorries going to landfills

Polystyrene

As part of Costco's multi-year effort to address materials that are difficult to recycle, our **UK** supply chain has replaced Styrofoam® containers used to deliver fresh salmon and trout to warehouse meat departments with corrugated cardboard boxes that can be recycled. In addition to reducing the amount of packaging going to landfills, this change increased efficiencies in storage and delivery. It also resulted in 80 fewer truckloads of material to landfills annually.

Additionally, our **global** in-house operational recycling of other Styrofoam® products has increased by 15.8% in 2020.



Importance of Compostability

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



Progress to Date - Compostability

We continue to review and test available options across the company for opportunities to replace challenging materials. Please review our [2019 expansion of compostability](#) summary. In 2020 we continued to expand and 6.25 million pounds of compostable food service packaging was implemented globally.

- **Australia** now has compostable straws, plates and paper bags.
- **Canada** now carries paper bags at its food courts.
- **Spain** has implemented compostable straws, bowls, coffee cups and cutlery.
- **Iceland** now has compostable straws, ice cream cups and paper hotdog trays.
- **Japan** has implemented 11 compostable food service packaging items.
- **South Korea** now has compostable straws and pulp bowls.
- The **U.S.** is currently implementing or has completed implementation of compostable food service packaging across the country.



In **Canada**, our supplier Club Coffee developed a certified, industrially compostable coffee pod and worked with the [Canadian Council of Ministers of the Environment](#) (CCME) and the [Ontario government](#) to develop needed support systems to accommodate the growing demand for compostable facilities.

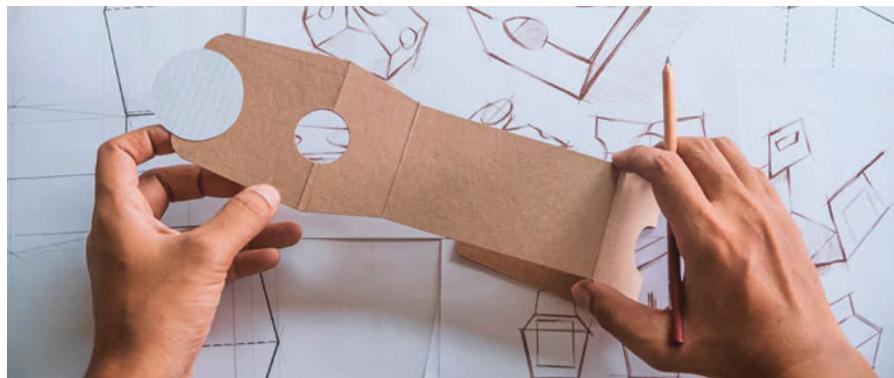
We are hopeful that as the world moves forward to combat climate change, other municipalities and suppliers will work together to create and support composting facilities. These facilities divert organic waste from landfills and reduce greenhouse gas emissions that result from food waste.

4 EDUCATE

Building upon our educational efforts in 2019, we continued to expand our platform for educating employees, suppliers and members on our packaging efforts and how they can be involved. Additionally, we continue to reach out to learn more about the impact of our choices and making informed decisions.

We accomplish this in a variety of ways:

- Improved package labeling for recycling, recoverability and compostability
- Communication and education to our employees and members in the form of:
 - A series of quarterly articles in our company publication the *Costco Connection*
 - A series of monthly articles in our employee publication, *Costco Today*
 - Employee club engagement, including activities and guest speakers
 - Special projects and internal teams to drive reporting, and to share ideas and solutions
 - Direct member engagement through phone and electronic communication
 - Package labeling and sustainability certifications



INNOVATION, REDESIGN & OPERATIONAL EFFICIENCIES

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

- Costco has always sold goods directly out of the boxes they are shipped in, then reused those same recyclable boxes at the register by offering them to members in lieu of shopping bags. Boxes that don't get used by members are recycled in-house. More information can be found in the [Waste Minimization](#) page.

- We support the redesign of packaging to utilize more efficient pallet configurations, and to reduce the number of pallets and trucks on the road.
 - Multiple square jar projects have been implemented to promote this strategy, including the Kirkland Signature™ milk bottle program, candy and nut packaging, and multiple branded partners that have reconfigured their packaging for improved efficiency.
- Some Kirkland Signature wine items have been converted into bag-in-a-box solutions, which greatly reduces the weight of product on the truck and saves on greenhouse gas emissions.

Closed-loop Success Stories

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

- In **Canada**, our supplier [Ice River](#) collects water bottles, processes them into recycled content for Kirkland Signature Water bottles sold in Canada and uses the remaining material for outdoor furniture.
- In **Canada**, Costco recycles corrugated shippers and trays with Cascades, which converts them into new packaging products. Some of these products find their way back into Costco warehouses, either directly as Costco branded products or as national branded products. Once their useful life is over, these corrugated shippers and trays go back into the loop and are recycled again by Cascades. More information can be found in this [Closed Loop](#) Summary.
- In fiscal year 2020, Costco **U.S.** and iGPS Logistics developed a recycling program to convert empty plastic stock bottles from our Central Fill Pharmacy to an important component of their plastic pallet manufacturing process. These pallets will be used by our suppliers and in our warehouses with a projected life cycle of 10 years. At the end of the iGPS pallet lifecycle, 100% of the plastic is recycled again – resulting in a circular and sustainable solution to pallet management.

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



ADDITIONAL CONSIDERATIONS & FAQS

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

FAQs: Frequently asked questions

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

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Last Updated: March 2021



ANIMAL WELFARE

Animal welfare is part of Costco's culture and responsibility; we serve as stewards of the animals, land, and environment entrusted to the company. Costco is committed to a global approach to Animal Welfare and is working toward a uniform program in all countries/regions where it operates, while respecting that each country may have its own regulatory and social requirements in place. More information can be found in these examples of Recognized Global Standards.

MISSION STATEMENT

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

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

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

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

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

COLLABORATION WITH EXPERTS & SUPPLIERS

In order to stay abreast of new technologies and methods, and to try to harmonize various standards from around the world, Costco:

- Meets with experts from the fields of industry and academia to review, consult, and help implement our programs
- Participates in activities with organizations such as PAACO, American Humane, the National Pork Board, the American Dairy Science Association, the National Chicken Council and the Center for Food Integrity

ANIMAL WELFARE TASK FORCE

Costco's Animal Welfare Task Force is made up of members from fresh meat buying, corporate and regional buying, animal welfare auditing, and global food safety. This past year the Animal Welfare Task Force worked on the following areas:

- Continuing to identify key global target goals and exploring practical implementation procedures through harmonization with global animal welfare laws and regulations
- Continuing to benchmark with other industry groups to review best practices
- Participating in the Coalition for Responsible Antibiotic Use being led by the Center for Food Integrity
- Reviewing each animal welfare incident involving any Costco supplier. Audits of these facilities are immediately conducted and all supplier corrective actions are reviewed by the Animal Welfare Task Force with action taken accordingly

ANTIBIOTICS

Costco's goal is to control the use of antibiotics that are medically important to humans, in its meat and poultry supply chains. This is consistent with our goal of protecting the health and welfare of our members – and of the poultry, hogs, and cattle in our supply chains. Our policy is to limit application of these

antibiotics to therapeutic use only for the prevention, control, and treatment of disease only under the supervision of a licensed veterinarian in a valid veterinary client/patient relationship.

In 2019, we began working with our suppliers and producers to develop and apply protocols for assessing compliance with this policy, which, for example, may include:

- requiring the provision of certificates or affidavits by producers;
- reviewing audits commissioned by producers and suppliers;
- reviewing audits commissioned by Costco; and
- testing products.

Our initial objective by December 2020, was to:

- Set a target date by which compliance with the policy will be mandatory and monitored.
- Assess the feasibility of eliminating the routine use of medically important antibiotics for prevention of disease among supplier farms.

Although we have made progress on our policy, we are still in the early stages of implementation. Due to the COVID-19 challenges facing Costco and our protein suppliers, our policy formulation and implementation have been delayed. We expect to announce a further update in December 2021.

We do not at this time have quantitative metrics regarding the phase-out of routine use of shared use antibiotics and do not expect to have such metrics for our private label meat and poultry supply chains to any appreciable degree. (See below for information concerning our poultry complex in Fremont, Nebraska "LPP".) Supply chains are, for the most part, only minimally vertically integrated (particularly for beef and pork), with our suppliers being one too many steps removed from those who are raising animals. Many of these growers lack developed systems for aggregating metrics concerning antibiotic usage. This makes it very difficult for our suppliers to gather and aggregate such information to report to us and to track changes in metrics over time.

To the extent such information could be tracked, pending substantial further development in tracing technologies, it is generally not possible or practical for us to identify particular animals in the supply chain that are associated with the supplier's sales to Costco as opposed to other customers.

Accordingly, when we announced our program, we envisioned compliance assessments as centered around audits and product testing, rather than quantitative measures of administration of shared use antibiotics. We remain committed to influencing these industries in an effort to limit and/or eliminate the use of antibiotics that are medically important to humans.

Application of this policy will be guided by our interpretation of U.S. Food and Drug Administration Guidance 209 and 213 Veterinary Feed Directive, which discontinues the use of medically important antibiotics for growth promotion and requires veterinary oversight of all medically important antibiotics.

According to Lincoln Premium Poultry (LPP) as of October 21, 2020, none of the birds in the flocks that supply LPP's chicken complex in Fremont, Nebraska, have been treated with antibiotics medically important to humans.

ANIMAL WELFARE AUDIT PROGRAM

Costco utilizes recognized audit standards and programs conducted by trained auditors, and looks at animal welfare both on the farm and at slaughter. The purpose of an audit is to gather current, accurate information concerning the overall welfare of animals.

This information is shared with members of the Costco food safety and technology group, and buying staff. The audit results are used to determine what areas, if any, need improvement to meet the animal welfare criteria, for both existing and potential suppliers. The buying staff also uses this information to help make sound purchases for members.

Audits apply to:

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

Audits can be conducted by Costco auditors, suppliers and/or third parties. Audit type, frequency and intensity can vary across suppliers and species. Costco requires all animal welfare auditors to be certified. This requirement applies to all species and all audits.

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



BEEF

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

DAIRY

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

VEAL

- Costco has a specific veal policy to promote calf welfare.
- All Costco veal is completely traceable to the farm level and all farms are 100% inspected for compliance to the requirements.



CAGE-FREE EGGS

Costco is committed to procuring cage-free eggs and in fiscal year 2020 continued to increase the percentage of cage-free shell eggs it sells worldwide as indicated below:

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

⁽¹⁾ The decrease in percentage for Australia was due to the wildfires they suffered in 2020 as well as higher demand in response to the Coronavirus outbreak.

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

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

In prior years we have measured cage-free eggs by total sell units. Starting this year we are measuring total shell eggs sold. This provides a better overall picture to the percentage of cage-free shell eggs sold, as sell units often vary in size.

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

POULTRY

- Costco requires animal welfare audits at slaughter in accordance with the National Chicken Council (NCC) Recommended Animal Handling Guidelines.
- Costco also audits hatchery and grow-out facilities.
- Costco implements animal welfare audits for laying hens.
 - Audits can include American Humane, Certified Humane and UEP audits.
 - Audits now extend in varying degrees to conventional cage, cage-free and organic housing systems
- Costco has introduced the Costco Hen House Audit in the U.S. This audit tool promotes a sense of responsibility and accountability to the supplier, and provides a means for annual barn evaluations.
 - Suppliers are required to audit each house twice a year using the Costco Hen House app platform. The results are automatically transmitted to Costco upon completion.
 - The app-based system gives visual examples of how to score each question as needed.
 - The app requires the supplier to submit photo documentation for each question along with the answer as applicable.

OUR VERTICALLY INTEGRATED POULTRY FACILITY

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

The design of the buildings and equipment, and corresponding programs to handle the chickens, featured animal welfare as a key component and included the following:

- The latest technology for poultry processing incorporated into the hatchery, feed mill and processing facility.
- The farmer-owned barns for the pullet, breeder and broiler chickens are state of the art in design and equipment.

The animal handling processes also incorporate strict animal welfare programs and a summary of some of these policies include the following:

- Stocking density is limited to allow birds more space
- All barns have tunnel ventilation to improve bird air quality
- Apollo Gen 2 automatic harvesters are used to more humanely collect our broilers
- Broiler transport includes trailer curtains to keep animals sheltered
- Broilers are unloaded inside a lairage area, to protect them from the weather
- Lairage area can hold a 3-hour inventory to allow birds to rest
- State-of-the-art 5 stage Controlled Atmosphere Stunning (CAS) system



DOWN & FEATHERS

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

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

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



PORK

- Costco uses the Pork Quality Assurance Plus program. This is a producer-driven program that farmers can use to ensure that pork products are of the highest quality and are safe, and animals are cared for in a way that ensures their well-being.
- Costco has a [Gestation Crate Policy](#) that asks suppliers to phase out gestation crates for pregnant sows in favor of group housing. We have been working diligently with our suppliers and based upon their capacities, our progress will be made in phases:
 - Phase 1: The goal is that 100% of the pork sold in our fresh departments and also our Kirkland Signature™ branded pork primal cuts, bacon and ham sold in the U.S., Mexico, Australia, France, Iceland, Spain and the UK be from open pen gestation housing (OPG), on or before December 31, 2022. As of FY2020, approximately 80% of Costco's U.S. fresh department's pork supplies have completed this process, although COVID-19 has impacted some of our supplier's progress.
 - Phase 2: We intend to expand to other regions where we do business and to other pork products.



SUSTAINABLE FISHERIES & AQUACULTURE

The two primary objectives of our seafood sourcing policy are:

- Continually source sustainable seafood products from either wild fisheries or farmed aquaculture in ways that meet current demands without compromising the availability of scarce resources for future generations.
- Consider these factors when sourcing seafood: the condition of fish stocks (biomass); the protection of and respect for the marine, coastal, and freshwater ecosystems; governmental and regulatory agency guidelines; and practices that will mitigate or limit environmental impacts associated with aquaculture and fishing practices. Traceability programs are key to identifying these factors.

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



TRACEABILITY

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



WILD SPECIES

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

- Atlantic cod
- Atlantic halibut
- Chilean sea bass
- Greenland halibut
- Grouper (*Epinephelus morio*)
- Orange roughy

- Redfish (sourced outside of U.S. Fisheries)
- Shark
- Skates and rays
- Swordfish (sourced outside of U.S. Fisheries)
- Bluefin tuna

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

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

Wild Salmon

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

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



FISHERY IMPROVEMENT PROJECTS

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

- Discuss management of the fishery and the challenges that it may face
- Agree on a set of actions that should be undertaken to improve the fishery so it can meet the MSC standard
- Work collaboratively to implement the actions and track progress

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

Costco Supported FIPs

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

- [Spiny Lobster - Honduras](#)
- [Spiny Lobster - Nicaragua](#)
- [Spiny Lobster - Brazil](#)
- [Spiny Lobster - Belize](#)
- [Mahi Mahi - Peru](#)
- [Mahi Mahi - Taiwan](#)
- [Large Pelagics \(mahi, swordfish, yellowfin tuna\) - Costa Rica](#)
- [Tuna - Philippines](#)
- [Tuna and Swordfish - Sri Lanka](#)
- [Corvina - Suriname](#)
- Octopus - Morocco (FIP in development)
- Octopus - Philippines (FIP in development)
- Octopus - Mauritania (FIP in development)

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

Fishery Success Stories



Bahama Spiny Lobster

In 2018, through the hard work of our lobster suppliers, the Bahama spiny lobster fishery was certified by the Marine Stewardship Council (MSC) to meet its standards. More information can be found in this [FIP success story video](#).

Ecuadorian Mahi-Mahi

In 2019, the Ecuadorian Mahi-Mahi transitioned from a FIP, as it entered MSC full assessment [Mahi Mahi - Ecuador](#).



CANNED TUNA

Our major canned tuna suppliers are participants in the [International Seafood Sustainability Foundation](#), which is undertaking science-based initiatives for the long-term conservation and sustainable use of tuna stocks, reducing bycatch and promoting ecosystem health.

We recognize that the sustainability of tuna stocks is integral to businesses and livelihoods, as well as to the health of the marine environment. Together with other industry stakeholders and through the [Global Tuna Advocacy Appeal](#), we ask governments and regulatory bodies to take action to ensure the long-term sustainability of tuna stocks by addressing Stock and Ecosystem Management, Information and Data, and Transparency.

Costco is a founding member of the Seafood Taskforce and works in collaboration with other member companies and industry stakeholders to improve working conditions and the recruitment of migrant workers in fishing vessels. Learn more about the STF's work on [Responsible Recruitment](#).



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

Farmed Shrimp

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

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

Recent development in Thailand are represented in the following articles:

- [Fisheries Reforms that has resulted in a Green Card from the EU](#)
- [Securing Labor Rights through Social Compliance](#)

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

Farmed Salmon

Costco does not intend to sell genetically modified salmon.

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

Many of Costco's farmed salmon suppliers joined together in a pre-competitive collaboration called the [Global Salmon Initiative \(GSI\)](#) and launched a commitment to reaching 100% certification by the most robust, credible aquaculture global standard, ASC. Between 2013 and 2019, GSI efforts to transition farms to the ASC standard has resulted in significant environmental impact reductions such as decreases in fish meal use by 17%, fish oil use by 9% and the use of medicinal sea lice treatments by 50%. More details can be found at [The Business Case for Pre-Competitive Collaboration, The Global Salmon Initiative \(GSI\)](#).



Farmed Pangasius

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

Farmed Tilapia

A five-year effort led to the development of the ASC tilapia standard completed in 2009. Currently, all tilapia sold at Costco is from farms and suppliers that are ASC certified. One of our suppliers is Regal Springs. Click here for information related to [Regal Springs](#) and their sustainability efforts. More

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

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Costco's Chemical Management Policy has helped to protect the health and safety of our members and the environment by establishing and developing products and processes that are safer, healthier, and more sustainable. We strive to go beyond the boundaries of regulatory compliance, in an effort to reduce or remove potential chemical harm to humans and to the environment. We recognize that this will be an area of continuous improvement for us as new rules, regulations and testing protocols are introduced.

Costco will continue to provide guidance for preferred chemical choices by product category through collaboration with our suppliers. We encourage suppliers to understand which chemicals are used in their products in order to:

- identify chemicals of concern (COCs) utilizing comprehensive testing programs;**
- remove or apply the process of informed substitution for any identified COCs;**
- identify ways to change their manufacturing processes to reduce hazardous chemical use; and**
- review and attain qualified third-party green certifications.**



TRAINING & EDUCATION

Costco works with the chemical and consumer products industries to increase our understanding and to find more environmentally friendly alternatives for chemicals and practices of concern. Examples include:

- In March 2020, Costco contracted with two environmental health scientists, Dr. Sally Edwards and Dr. Ann Blake to review our chemicals management program and our Costco Smart Screening program (conducted with the Berkeley Center for Green Chemistry and entitled "Beyond Compliance at Costco: A Comparative Analysis of Chemical Assessment Frameworks and Recommendations for Best Practices," 2017-18) and to help us identify potential future trends.**
- For the past four years Costco employees responsible for chemical testing have participated in a 15 credit course from the University of Washington to learn more about – and stay up to date with – topics like sustainability, chemicals of concerns, potential hazards and exposure, green chemistry tools, and avoiding regrettable substitutions.**
- Costco educates its buyers and suppliers globally on the process, expectations, and their testing progress by providing them with safe alternative resources, certification programs, and testing services.**



CHEMICAL TESTING

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

- Examples of product categories tested include toys and other products intended for children, food use, furniture, electrical, apparel, and home textiles.
- Examples of regulated chemicals include soluble heavy metals, heavy metals found in surface coating, Substance of Very High Concern (SVHCs), formaldehyde, flame retardants, dyes, phthalates, BPA and many others.
- Costco continually reviews and updates the Global Costco Restricted Substance List (RSL) to keep up with the ever-growing global regulatory chemical restrictions in consumer products.



COSTCO SMART SCREENING PROGRAM

Besides testing per regulatory requirements, Costco works with major third-party laboratories to identify and reduce chemicals of concern in different product categories, which we call the Costco Smart Screening Program.

Many products in numerous categories are tested. Examples include children's and adult apparel, bedding, home textiles, pet beds, furniture, luggage, handbags, sporting goods, personal care products, cleaning products, Kirkland Signature™ food packaging, non-foods packaging, Kirkland Signature items, patio furniture and supplements packaging.

Costco also audits the product specifications for many products provided by suppliers and physically tests these products. This program utilizes independent third parties to pull samples of consumer goods during Costco production to conduct analytical tests for both regulated chemicals and chemicals of concern (COCs) that are not restricted by law.

Chemicals of Concern (COC's)

The Costco Smart Screening protocols are used to perform physical testing against a list of over 300 COCs, including those from the EU REACH Substances of Very High Concern (SVHC) program, the State of California Proposition 65 list and the U.S. Toxic Substances Control Act (TSCA). Costco partners with its suppliers to review results and help them find qualified resources to assist in removing chemicals of concern from their items. The Costco Smart Screening Program also provides information for suppliers to use and develop safe replacement chemicals and processes within [The Smart Screening User Guide](#).

Examples* of common chemicals of concern:

- Alkylphenol & Alkylphenol Ethoxylates
- Azo Dyes (24 Amines)
- Bisphenol A (BPA) & Bisphenol S (BPS)**
- Blue Colorants
- Carcinogenic & Allergic Disperse
- Chlorinated paraffins (C10-C13) (SCCP)
- Chlorinated paraffins (C14-C17) (MCCP)

- Chromium VI (Cr VI) content
- Dioxane
- Dyes And Other Dyes (29 Dyes)
- Extractable Heavy Metals
- Flame Retardants
- Formaldehyde
- Hexavalent Chromium Polychlorinated Biphenyls (PCB)
- Nickel (Ni) release
- Organotin Compounds
- Parabens (Butyl paraben, Methyl paraben, Propyl paraben, etc)
- Perfluorinated and Polyfluorinated Chemicals (PFCs)
- Phthalates
- Polychlorinated Biphenyls (PCB)
- Polychlorinated Phenols
- Polycyclic Aromatic Hydrocarbons (PAHs)
- Tin-screening test for organotins
- Total Cadmium (Cd) content
- Total Lead (Pb) content (substrate and surface coatings)
- Total Mercury (Hg) content
- Volatile Organic compounds (VOCs)

* This list is not all-inclusive

** Costco warehouses in the U.S. and Canada have changed their receipt paper so that it is phenol-free. This means it does not contain Bisphenol A (BPA) and Bisphenol S (BPS), which have been linked to human health concerns.



TEXTILES

The Costco Smart Screening Program also includes textiles. This portion of the testing program is based on the Apparel and Footwear International RSL Management (AFIRM) Working Group. The AFIRM Restricted Substance List (RSL) has been adopted with third-party testing labs testing Costco's textile and footwear products. Examples of products tested include apparel and footwear, sporting goods, luggage, handbags, and home textiles like blankets, sheets, rugs, and towels. More information can be found at the [AFIRM website](#).

Costco encourages its textile suppliers to implement in their supply chains the Zero Discharge of Hazardous Chemicals (ZDHC) [Manufacturing Restricted Substance List \(MRSL\)](#).

Costco recognizes and accepts third-party certifications into its Smart Screening Program, which aim to provide safe, traceable and sustainable products. These include:

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



PACKAGING & FOOD SERVICE SUPPLIES

The labeling and packaging of Costco items are tested for chemicals of concern as follows:

- Products that are part of the Costco Smart Screening Program use the AFIRM Group packaging RSL. Examples of packaging components include paper, wood, cartons, stickers, plastic wrap, finishing dyes, inks, coatings, metal, tape, textiles and desiccants. More information can be found on the [AFIRM website](#).
- Labeling and packaging for Kirkland Signature™ foods items also are required to participate in the Costco Smart Screening Program.
- Additionally, for products not participating in the Costco Smart Screening Program, many are still tested to meet U.S. and EU heavy metal testing requirements.
- Food contact materials and containers sold in the Costco meat department, bakery, deli and food court are tested with the Costco Smart Screening Program. Examples of this type of packaging include meat trays, bakery containers, deli tins, and pizza boxes. Additional supplies used in these departments such as hair nets, food wrap and gloves are also tested.



CLEANING & BEAUTY AID FORMULATED PRODUCTS

Suppliers of Non-foods branded products are encouraged to provide Costco with ingredients either on the packaging, on their website, or with a third-party chemical management tool.

Costco works with [Scivera](#) and its SciveraLENS® software platform to gather bills of substances (BOS) and generate chemical assessments for all formulated products as well as other product categories. The SciveraLENS platform allows Costco and its suppliers to better understand the chemicals used in products and allows suppliers to prescreen chemical ingredients against the Costco Smart Screening Program list (as well as hundreds of other lists), assess how chemicals impact human health and the environment using Scivera's GHS+ chemical hazard assessment (CHA) framework. These chemical lists include chemicals from the EU Cosmetic Regulation, EU REACH Substances of Very High Concern (SVHC), fragrance allergens, and others. When chemicals of concern are identified, suppliers are encouraged to utilize toxicologists to identify preferred alternatives.



CHEMICALS USED IN AGRICULTURE & HORTICULTURE

Costco is also concerned about the chemicals applied to live goods/plants, fruit and vegetables, and our Pollinator Health Policy addresses this topic.

- We encourage suppliers to limit the use of all nonessential chemicals, to utilize eco-friendly methods of pest and disease control, and to incorporate Integrated Pest Management (IPM) strategies and other creative solutions that use the least toxic alternatives.
- Suppliers are encouraged to phase out the use of neonicotinoids and chlorpyrifos, unless otherwise mandated by law and when necessary to avoid regrettable substitutions.
- Costco seeks to partner with suppliers that share our commitment to pollinator health and IPM, and are making reasonable progress in a timely manner. As of 2020, fifteen Costco suppliers are working with 41 farm operations certified by EFI, which requires an IPM Plan, Pesticide Reduction Tool and other pesticide-related requirements. More information can be found in the Pollinator Health & Chemical Reduction section.

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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 \$50 Billion in sales in FY2020. In developing Kirkland Signature products, we have better control over the entire supply chain, including where the product comes from, environmental impacts, labor conditions and under what conditions it is produced.

ABOUT KIRKLAND SIGNATURE

Goals

Our goals for Kirkland Signature items are that they:

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

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

Traceability

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

Materiality Assessment

Costco works 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.

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 due to climate change; (2) pay premiums for high-quality products; and (3) improve health, education, housing, clean water and nutritious food for farmers/workers and their communities.

Continuous Improvement

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

VERTICAL INTEGRATION & IN-COUNTRY PRODUCTION

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



Poultry Production

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

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

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

Processing Facility

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

Facility Employees

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

Local Farmers/Growers

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

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

Local Grain

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

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



Greenhouse Grown

In 2019, Costco began to grow Kirkland Signature™ Romaine Lettuce produced by Go Green's California greenhouse. We invested in this business to address food safety concerns, increase water efficiency and reduce waste. This 600,000-square-foot greenhouse operates 365 days a year. Romaine lettuce is organically grown, harvested and palletized onsite.

Costco implemented total crop utilization to reduce waste by selling the romaine hearts in individually sealed packaging and by selling the outer leaves of the hearts as chopped romaine, after it is washed four times. Transportation costs and fuel usage will decrease as the greenhouse is located near our Tracy, California, depot. For more information, please visit our [Water Minimization page](#) and [Organics, Greenhouse Grown & Horticulture products page](#).

Canadian Commissary

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

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

In-Country Production

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

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

SOURCE FOOD WASTE REDUCTION

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



Kirkland Signature
Farmed Tilapia Loins

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



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



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

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

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KIRKLAND SIGNATURE COCOA

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

The Program – Côte d'Ivoire

The Program in Côte d'Ivoire is designed to provide a quality product that is traceable, improves profits and livelihoods for the farmers/cooperative members, and introduces respectful environmental practices. It is audited annually by Interek, an independent third party. Highlights from Côte d'Ivoire include:

- Traceable and segregated cocoa;
- 100% Child Labor Monitoring and Remediation System coverage (CLMRS) in 2019-20 season cooperatives (described in more detail below);
- 88% of farms GPS polygon mapped to reduce risk of deforestation with a goal of 100%;
- Social infrastructure investment, which includes schools, health centers, maternity wards, and community investments such as water pumps and storage facilities;
- Community development with a focus on women's empowerment through literacy and numeracy programs, alternative income generating activities, village savings and loan programs, and community gender equality sensitization programs;
- Premiums of over \$14 million paid for quality product;
- Cooperative development and training;
- Improved production through financing and farmer training;



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

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

More specific in-depth information can be found in the [Côte d'Ivoire Report](#) and [Costco Connection](#) article, [Cocoa channels](#).

The Program – Ecuador

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



KIRKLAND SIGNATURE COFFEE

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

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

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

In August 2019, we launched Kirkland Signature™ Organic K-Cups® with recyclable K-Cup® Pods.



KIRKLAND SIGNATURE COCONUT WATER

Kirkland Signature™ Coconut Water is sourced from the Philippines, where over 30% of the country's households derive their income from coconut. However, this income is low due to lower productivity. A portion of past Costco sales supports the [Hope in a Coconut program](#), which improves farmer incomes through the replanting of higher yield seedlings, intercrop training, education opportunities, and direct

market linkages. As of September 2020, the program has shown a 62% increase in total income for program farmers compared to 2016 when the program was started. This is due to increased coconut yields as well as income generation from the intercropping of fruits and vegetables, and raising livestock. More information can be found in this [Hope in a Coconut program summary](#).

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

Access to and availability of classrooms is a challenge in the Philippines. To date, sales have helped to build [14 elementary school classrooms](#), with one using eco-bricks made from recycled water bottles. This has directly benefited 1,450 students under the age of 13. These elementary schools are located in coconut farming communities in the Southern Philippines where access to public school is limited. Some of these classrooms are in indigenous people and Islamic communities, where the mother tongue/child's language is used as the medium of instruction and the curriculum includes indigenized classes.

COCONUT HARVESTING

Costco does not support the use of monkeys for coconut harvesting. We are committed to ensure all suppliers abide by these same principles and only use human labor. Where there is a known risk due to cultural norms that may have allowed this practice, we require our suppliers to contractually prohibit the use of any animal labor from their coconut providers. We also require these suppliers to audit their farms and have a 3rd party independently verify compliance.

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KIRKLAND SIGNATURE ORGANIC EGGS

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

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

KIRKLAND SIGNATURE CAGE-FREE EGGS

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



KIRKLAND SIGNATURE ORGANIC MILK

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

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GAS & AUTOMOTIVE

GAS STATIONS

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

KIRKLAND SIGNATURE GASOLINE

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

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KIRKLAND SIGNATURE QUINOA

Kirkland Signature™ Organic Quinoa is mainly sourced from Bolivia and Peru. Quinoa is a highly resilient plant, thriving where no other crops are viable. It grows on saline, desert lands at an altitude of 12,000 feet, receiving on average of only 8 inches of rain per year.

In Bolivia, we source quinoa from traditional smallholder farmers in the high Andean plateau through one of our suppliers, [Andean Naturals](#). Andean Naturals is concerned about soil health and erosion, and developed the Quinoa Soil Health Program in 2010, with these goals and outcomes:

- Reducing erosion, and improving microbial life and organic matter in the soil while also improving the incomes of traditional farmers
- Setting up 907 hectares of demonstrative plots on 337 farms to train growers and model the impact of protective hedges made from native brushes, rotation with a native lupine, and compost production and application
- Improving yields by 83%
- Doubling the income of smallholder farmers

We believe that healthy soils grow strong plants, which in turn will produce the best quality quinoa for years to come. More information and photos from our trips to visit the quinoa farmers can be found in the following links: [Quinoa Presentation](#) and the [Costco Connection](#) article, [Kirkland Signature organic quinoa](#).



KIRKLAND SIGNATURE CHIA

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

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



KIRKLAND SIGNATURE EXTRA VIRGIN OLIVE OIL

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

PGI signifies that:

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

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

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

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



PALM OIL

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

Our goal is that all palm oil used in Kirkland Signature products will be 100% RSPO certified (or equivalent) by December 31, 2021 or sooner, with a preference for physical palm. We continue to work with suppliers to meet this goal and our progress is as follows:

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

⁽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 of 2021, we reported 2020 calendar year data.

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

⁽³⁾Restated to reflect data correction

More information can be found in our [Palm Oil Policy](#), the Annual Communication of Progress (ACOP) 2020 filed with [RSPO](#) and on our [Environmental Impacts & Land Stewardship](#) page.

KIRKLAND SIGNATURE SOY-BASED PRODUCTS

Costco understands that soy is a major driver of tropical deforestation in countries such as Brazil. For that reason and others, Costco will continue to source Kirkland Signature™ soy-based products, such as Kirkland Signature Soybean Oils and Kirkland Signature Organic Soy Beverage, from the U.S. and Canada.



KIRKLAND SIGNATURE HONEY

Costco understands that the honeybee population is experiencing multiple health threats. Honeybees are necessary for the pollination of approximately one-third of food consumed, including fruit, nuts and vegetables. Since 2012, Costco has invested over \$5.9 million in honeybee health by contributing a portion of its sales of Kirkland Signature™ Honey items to the nonprofit honeybee research organization [Project Apis m.](#) (PAm). The projects that Costco supports focus on four areas:

- **Long-Term Stock Improvement**, which includes breeding and developing varroa- resistant bees for a sustainable, chemical-free varroa control option and maintaining a functioning and sustainable genetic repository for honeybee germplasm to safeguard the genetic integrity and diversity of honeybees against future health threats. More information can be found here, [The Hilo Bee Project & Varroa Resistant Bee video](#).
- **Apiculture Technology Transfer Teams** give U.S. beekeepers technical support in the field, survey honeybee health and educate beekeepers about Best Management Practices. These teams save beekeepers money, prevent losses and help to keep a finger on the pulse of bee health nationwide.
- **Ph.D. Scholarship Grants** provide to date more than \$800,000 to support the future of honeybee research. The next generation of bee scientists bring new ideas, skills and dedication to the field of experts. The program recognizes and supports outstanding graduate students who are pursuing research-based doctoral degrees in fields within the Project *Apis m.* mission of enhancing honeybee health while improving crop production. More information about these scholars in the U.S. and Canada can be found here: [PAm-Costco Scholars](#).
- **Seeds for Bees Forage** puts blooming plants back on the agricultural landscape, helping bees get the nutrition they need to stay healthy, pollinate, and make honey – all while increasing soil health and water infiltration. For more information, please view [The 2020 Seeds for Bees Impact Report](#).

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



KIRKLAND SIGNATURE PEPPER

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

In addition, the packaging of Kirkland Signature Black Pepper has evolved over time to become more sustainable as follows:

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

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ORGANICS

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

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

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



GREENHOUSE GROWN

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

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



FRESH CUT ROSES

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

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

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

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

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



LIVE GOODS

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

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SUSTAINABLE BEEF PRODUCTION

Costco recognizes that beef production has an impact on the environment and, depending upon the beef production practices employed, the impact may be negative, positive, or somewhere in-between. Costco encourages suppliers to support good land stewardship practices. There are concerns that beef production contributes to tropical deforestation in countries such as Argentina, Brazil, Colombia and Paraguay. We are not sourcing any of our Kirkland Signature™ fresh or frozen beef from these countries. Our intent is not to source beef from high-risk deforestation regions until comprehensive traceability and monitoring systems are in place.

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

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

BEEF & THE PRESERVATION OF NATIVE GRASSLANDS

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

Costco partnered with the World Wildlife Fund (WWF) and others to help protect the NGP intact grasslands ecosystem and to test the U.S. Roundtable for Sustainable Beef's (USRSB) sustainability framework to ensure it is useful and practical for cow-calf producers in the NGP.

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

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

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

PLANT-BASED ALTERNATIVES

Finally, Costco is aware of the need for protein diversification and we continue to grow our selection of plant-based proteins, as an alternative protein offering to our members. Our growth in this area has been dependent upon availability and some examples include Kirkland Signature Soy and Almond beverages and the Beyond Meat Burger™. In 2020, we have experienced a substantial increase in plant-based protein sales.

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WILD ALASKAN SALMON PRODUCTS

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

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

KIRKLAND SIGNATURE FARMED TILAPIA

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

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

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COTTON

Cotton Traceability

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

Kirkland Signature Bed Sheets

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

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

Organic Cotton

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

RECYCLED TEXTILES

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

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WOOD, PULP & PAPER

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



Wood Products

After a 10-year moratorium on teak, in 2015 we began selling a limited amount of outdoor teak furniture that was 100% FSC-certified. Today, all 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, bee houses, outdoor furniture and pavilions.



Fiber-based Packaging

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

In 2019, our ecommerce shipping boxes for Costco-fulfilled items for the U.S. from Costco.com were converted to boxes made from 100% recycled content and are themselves fully recyclable.

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



KIRKLAND SIGNATURE PAPER-BASED PRODUCTS

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

- As of June 2020, Kirkland Signature Paper-based items carry the following forest certifications by region. By global volume; 66.2% FSC, 23.9% SFI and 9.7% PEFC. More information can be found on the [Environmental Impacts & Land Stewardship](#) page.

The following chart outlines the certification for each Kirkland Signature™ fiber-based product.

REGION	BATH	TOWEL	NAPKIN	FACIAL	PARCHMENT	GIFTWRAP
AU	 FSC	 SUSTAINABLE FORESTRY INITIATIVE SFI 01061	 FSC	 FSC	 FSC	 FSC
CA-Eastern	 FSC	 SUSTAINABLE FORESTRY INITIATIVE SFI 01061	 PEFC SUSTAINABLE FORESTRY INITIATIVE	 SUSTAINABLE FORESTRY INITIATIVE SFI 01061	 SUSTAINABLE FORESTRY INITIATIVE SFI 01061	 FSC
CA-Western	 SUSTAINABLE FORESTRY INITIATIVE SFI 01061	 SUSTAINABLE FORESTRY INITIATIVE SFI 01061	 PEFC	 SUSTAINABLE FORESTRY INITIATIVE SFI 01061	 SUSTAINABLE FORESTRY INITIATIVE SFI 01061	 FSC
CN	 FSC	 SUSTAINABLE FORESTRY INITIATIVE SFI 01061	 FSC	N/A	 FSC	 FSC
ES	 FSC	 FSC	 SUSTAINABLE FORESTRY INITIATIVE SFI 01061	 FSC	 FSC	 FSC
FR	 FSC	 FSC	 SUSTAINABLE FORESTRY INITIATIVE SFI 01061	 FSC	 FSC	 FSC
IC	 FSC	 FSC	N/A	 FSC	 FSC	 FSC
JP	 FSC	 SUSTAINABLE FORESTRY INITIATIVE SFI 01061	 FSC	 FSC	N/A	 FSC
KO	 FSC	 SUSTAINABLE FORESTRY INITIATIVE SFI 01061	 FSC	N/A	N/A	 FSC
MX	 FSC	 SUSTAINABLE FORESTRY INITIATIVE SFI 01061	 SUSTAINABLE FORESTRY INITIATIVE SFI 01061	N/A	N/A	 FSC
TW	 FSC	 SUSTAINABLE FORESTRY INITIATIVE SFI 01061	 FSC	N/A	N/A	 FSC
UK	 FSC	 FSC	N/A	 FSC	N/A	 FSC
US	 FSC	 SUSTAINABLE FORESTRY INITIATIVE SFI 01061	 PEFC	 SUSTAINABLE FORESTRY INITIATIVE SFI 01061	 FSC	 FSC

* N/A denotes no product currently exists

- The *Costco Connection* magazine, which includes all of our global editions, *Costco Today*, and Multi Vendor Mailers are certified by FSC, PEFC, or SFI.

- The register tape used in our U.S. and Canadian warehouses and gas stations is FSC-certified and phenol-free (no BPA or BPS). We are working to expand to all warehouses worldwide. More information can be found on our [Chemical Management](#) page.
- U.S. Costco Pharmacies are currently transitioning to member bags with FSC-certified recycled content.



BABY WIPES

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

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

INTRODUCTION

At today's rate of growth of global carbon dioxide equivalent (CO₂e) emissions, the negative effects of climate change (e.g., extreme weather events, ocean acidification, wildfires, sea level rise, resource scarcity, forced migration, racial injustice, economic inequality, etc.) will likely cause the greatest disruption to life in human history. We recognize that proportional action to address Costco's environmental and social impact is both a business imperative and the right thing to do. We are assessing the materiality of United Nations Sustainable Development Goals (SDGs) to Costco's business in order to commit to high-priority, specific, actionable SDGs and metrics as our overarching plan.

Over the next four fiscal years (2021-2024), Costco 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. In addition, we will build on our progress to date to develop a formal, multi-year Climate Action Plan focused on specific interventions aimed at addressing the climate impacts attributed to our global operations and supply chains.

PROGRESS TO DATE

In recognition of the business imperative to address climate change, in fiscal year 2020 we substantially accelerated efforts to better understand, assess, quantify, and execute on action associated with our Scope 1 (direct emissions within our operations), Scope 2 (indirect emissions from energy usage), and Scope 3 (emissions outside of our operations such as waste and supply chain) CO₂e footprint and our overarching response to climate change. We initiated a comprehensive review of our internal data and system requirements; operational issues and impacts; global best practices; competitive forces; and regulatory, financial, supply chain, and reputational risk. The results of this detailed review will help us to better understand the implications of climate and sustainability commitments on Costco's business, members, employees, shareholders, suppliers and communities.

Environmental Compliance, Water, Waste and Scope 1 and 2 Emissions

We recently completed an internal analysis that shows warehouse energy and refrigeration emissions account for more than 75 percent of our current Scope 1 and 2 carbon emissions. This key information enables us to immediately begin addressing major opportunities for CO₂e reductions in our operations. We are not delaying front-line action to reduce our global carbon emissions as we build a more comprehensive strategic framework.

We are building on our existing environmental compliance platform through the new Sustainability Technical Assistance Review (STAR) to formalize standards and requirements in five key focus areas below. The STAR rolled out in September 2020 across the United States. By working toward STAR goals, Costco is building the capabilities to track compliance and dynamically monitor resource use at all our warehouses — at an individual and aggregate level.

Our aim is to integrate the people, systems, policies, data, and standard operating procedures in support of the following five focus areas:

1. Environmental Compliance – In the United States, all regions have a dedicated Environmental Sustainability and Compliance Manager, as do ancillary business departments. Each international region also has personnel dedicated to supporting our Environmental Sustainability and Compliance goals. We hosted the 2nd Annual Global Environmental Compliance Summit in January 2020 and intend to continue these summits each year. As of September 1, 2020, we have begun to use the STAR to ensure regulatory compliance for our business, starting with the United States. For more information, please visit our [Environmental Compliance](#) page.
2. Water – We are building a dashboard to track water usage by warehouse. Our Key Performance Indicator (KPI) for minimizing water use will be gallons consumed per square foot per month. Once

rolled out worldwide, our system will measure water consumption and identify water leaks. Accountability for this work will be managed by a new corporate position, the Water Structures and System Supervisor, and included in warehouse management KPIs. For more information, please visit our [Water Minimization](#) page.

3. Energy – Fully utilizing our energy management system in place in all North American warehouses allows Costco to build a dashboard for tracking kilowatt hours (kWh) of energy consumed by location. Our aggressive efforts at data collection to date have shown that 77% of purchased electricity goes directly to refrigeration and HVAC in our warehouses, which led to the development of our Global Refrigeration & HVAC Plan in July 2020, to improve energy efficiency in these areas. As state and local governments further strengthen regulatory obligations in this key area, we will strive to be in front of government mandates. For more information, please visit our [Energy & Refrigeration](#) page.
4. Waste – To continue progressing toward our global goal of diverting 80% of food and nonfood waste from our warehouses to minimize waste in landfills worldwide, we are developing a waste tracking system with an external vendor. This effort is being supplemented by our larger efforts to support circularity initiatives, such as: (1) our test partnership with AgroThrive, through which organic waste from producing products for Kirkland Signature products, is collected and taken through a progressive digestion process to create fertilizer that is then sold to Costco members; and (2) our new partnership with one of our plastic pallet suppliers, which is using our pharmacy plastic stock bottles to create new plastic pallets. For more information, please visit our [Waste Minimization](#) page.
5. Emissions – We have quantified location-specific Scope 1 emissions; next we are establishing our baseline for Scope 1 and 2. More information is set forth in the 10 Point Climate Action Plan below. For more information, please visit our [Energy & Refrigeration](#) page.

Scope 3 Emissions

During the summer of 2020, we explored Scope 3 emissions with select suppliers from three supply chains (produce, textiles, and paper products) to help us: more thoroughly understand supplier engagement opportunities and the current challenges; develop realistic timelines; begin to set priorities and to determine the resources needed; and begin to prioritize and develop a globally scalable Scope 3 plan. We also intend to start measuring Scope 3 emissions from our operational waste by December 2023.

10-POINT CLIMATE ACTION PLAN

Our intent is to design, develop, and recommend formal climate goals, including targets for the absolute reduction of enterprise-wide CO₂e emissions from a Fiscal Year 2020 baseline. We also plan to develop facility-level Scope 1 and 2 targets, categorized by operational type (e.g., retail locations, manufacturing facilities and depot and distribution facilities). By December 2022, we intend to outline the specific actions needed to meet these goals and targets.

Our Climate Action Plan integrates the range of global sustainability issues into a coordinated and comprehensive roadmap. The plan builds on our progress to date to identify time-bound ESG commitments and prioritize the capital and operational investments required to deliver on them. In our pursuit of operational level metrics, we will utilize several reporting frameworks to share our results. Over the next four years, we will begin implementing a phased reporting methodology grounded in three commonly accepted frameworks: the United Nations Sustainable Development Goals (SDGs), Sustainability Accounting Standards Board (SASB), and the Task Force on Climate Related Financial Disclosures (TCFD). We will start with the UN SDGs to align all our current progress under a single framework to consider future investment decisions. We will seek to build capacity, change and broaden mindsets, and learn what solutions are most cost-effective through an agile program development approach.

Additional detail on our 10-Point Climate Action Plan is below:

#	Target Actions	Key Milestone(s)	Est. Milestone Date(s)
GLOBAL FRAMEWORK			
1	Assess the materiality of United Nations Sustainable Development Goals (SDGs) to Costco's business, including quantification of material climate risks to the business, and commit to high-priority, specific, and actionable SDGs and metrics.	1. Develop commitment to priority SDG's and metrics 2. Align ESG program to priority SDGs and metrics; measure and report progress	1. Dec 2021 2. Ongoing
GLOBAL CONTEXT			
2	Confirm climate change regulatory requirements via a global legal and policy landscape assessment.	Complete global climate change regulatory landscape assessment	Dec 2020
3	Conduct a global review of company, industry, and market climate alliances (including projects, plans, and organizational structures) to benefit from evidence-based, scientifically-valid best practices with an emphasis on diversity and inclusion.	Complete global review of climate alliances and best practices	Dec 2021

Core Capabilities			
4	Identify the core capabilities (e.g., technology, data, processes, systems, and expertise) we need to build to deliver on our Climate Action Plan.	Complete internal capabilities gap assessment	Dec 2021
Baselines and Education			
5	Assess and validate our FY20 enterprise-wide energy, water, waste, and emissions baseline data sets.* *We will evaluate facility-level data based upon operational use, such as retail warehouse locations, depots and distributions centers, and manufacturing. <i>NOTE: Costco will only commit to absolute reduction targets after we complete this assessment, analyze year-over-year trends, and confirm the global climate change legal and regulatory landscape.</i>	1. Establish a reliable enterprise-wide energy, water, waste and emissions baseline data sets for FY20 2. Publish 2020 data to the CDP	1. Aug 2021 2. Aug 2021
6	Develop and implement a plan to address energy and refrigeration as essential parts of our warehouse footprint that have a substantial, outsized impact on our carbon footprint.	1. Energy and Refrigeration Assessment complete 2. Begin Energy and Refrigeration Plan implementation	1. Dec 2021 2. Jan 2022
7	Create accountability through incentive pilots and recurring employee communications that build capacity, promote behavior change and foster a culture of continuous learning that accelerate our Plan.	1. Implement US Warehouse ESG Dashboards 2. Implement internal ESG-related recognition pilots 3. Create and implement Climate Action Plan employee education and awareness 4. Develop Global Warehouse ESG Dashboards	1. US ESG Dashboards • Environmental Compliance: Dec 2021 • Water: Dec 2021 • Energy: Dec 2022 • Waste: Dec 2023 • Emissions: Dec 2023 2. Dec 2021 3. Dec 2021 4. Dec 2024
Commitment			
8	Confirm multi-year Scope 1 and 2 absolute carbon dioxide equivalent emissions reduction commitments and specific actions to meet those goals after analysis of 3-year emission trends (FY19-21).	Publish commitments and action plan	Dec 2022
Under Review			
9	Examine Scope 3 best practices, trends, & opportunities to address supply chain emissions, building off existing waste-to-landfill and closed loop product pilot programs	Ongoing	Ongoing
10	Examine ESG reporting methodologies, best practices, trends, & opportunities with emphasis on Sustainability Accounting Standards Board (SASB) and Task Force on Climate-related Financial Disclosures (TCFD).	Ongoing	Ongoing

CURRENT CO2e EMISSIONS TRACKING

As we roll out our Climate Action Plan, we will continue, as appropriate and until stated otherwise, to report our emissions and participate in the [CDP](#), established by the GHG Protocol Corporate Accounting and Reporting Standard. Costco Wholesale reports Scope 1 and Scope 2 emissions to align with the Intergovernmental Panel on Climate Change (IPCC) and Reporting Standard.

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

We continue to work toward managing our carbon footprint growth to less than our company sales growth. For the reporting period of 2019, we achieved that goal, as noted in our carbon footprint summary below.

We are working hard to decrease our energy usage and associated CO2e. For the 2019 reporting period, our percentage CO2e increase was the lowest since we began calculating it, despite adding more warehouse locations and expanding our reporting to include manufacturing plants, which includes our new chicken plant. Details are stated below.

COSTCO'S SCOPE 1 & 2 CARBON EMISSIONS SUMMARY

	SALES (in thousands)	tCO2e (tons of carbon dioxide emitted)	tCO2e % Increase (over prior year)	Sales % Increase ⁽³⁾ (over prior year)
Total in Covered Regions in 2016 ⁽¹⁾	\$109,207,104	2,250,906	13.4%	2.1%
Total in Covered Regions in 2017 ⁽²⁾	\$131,652,651	2,358,629 ⁽⁴⁾	4.5% ⁽⁴⁾	12.31%
Total in Covered Regions in 2018 ⁽⁵⁾	\$142,645,070 ⁽⁶⁾	2,508,419	6.5%	8.3%
Total in Covered Regions in 2019 ⁽⁷⁾	\$152,794,393	2,573,155	2.6%	7.1%

(1) Includes the following regions: U.S., Puerto Rico, Canada, Australia, Mexico, Spain, and the UK. These tCO2e numbers have been restated for 2016 to include all refrigerant resulting in an additional 127,481.8 CO2e. IPCC reporting guidelines offers a choice to include or exclude HCFC. Costco has revised internal policies to include refrigerants as a more appropriate method of calculating emissions.

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

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

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

(5) Includes the following regions: Australia, Canada, France, Iceland, Japan, Mexico, Puerto Rico, Spain, South Korea, Taiwan, UK, and the U.S.

(6) Restated Sales number for 2018.

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

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

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