Global Sustainable Packaging Guidelines

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 to 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.

Purpose

- Provide guidance for improving the sustainability of our packaging.
- Share global strategies for making these improvements.
- Encourage our suppliers and members to assist and improve our efforts to reduce our impact.

Key Objectives

- Protect the product and extend shelf life.
- Encourage recycling through labeling, materials and member education.
- Support composting through labeling and package materials.
- Work towards elimination of expanded polystyrene (Styrofoam®).
- Support material choices with high recyclability rates.
- Promote lower carbon footprint efforts through optimized design and pallet utilization.
- Encourage use of recycled content and renewable resources.
- Utilize sustainable-management certifications where appropriate.
- Eliminate the use of content with known health issues.

Reduce • Recycle • Compost • Substitute • Source • Health

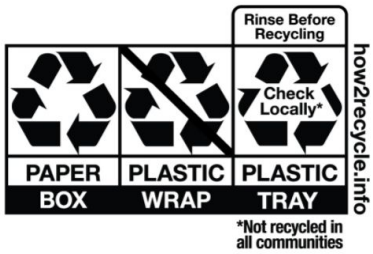
Reduce weight, materials, volume

- Reduction of packaging weight makes transportation more efficient, saves money and reduces GHG (greenhouse gases).
- Optimization of packaging structural design provides opportunities to use less material, more durable materials and/or maximize the number of products on a

pallet.

Packaging should be properly labeled for recycling

- All packaging should be labeled for recycling, reflecting local standards.
- Recovery of materials starts with proper labeling, please take steps to label your package and components so that members can recycle correctly.



How2Recycle

- Costco has joined the How2Recycle program and will begin incorporating these marks on some US packaging and qualified Canadian packaging.

Packaging should be easily recyclable

- The primary function of all packaging is to protect the product, wherever possible, the materials selection in packaging development should focus on packaging that has a high level of recycling and recovery.

The U.S. Carton Council

- The Carton Council (U.S.) through efforts over the past 9 years, have successfully grown carton recycling access. Carton recycling has surpassed a 60% national access rate this year and is now considered “widely recycled”. As a result of this accomplishment, Tetra Pak®, other aseptic packaging and gable-top cartons (such as milk and other beverage cartons) can now be labeled with non-qualified recycling

logos as shown above.

- This mark is unique to this category of packaging and for the U.S. market only.

Increase the use of recycled materials

- We encourage the use of recycled content to support efforts to create a value chain for recovered materials.
- Using recycled content can reduce the amount of virgin materials and nonrenewable resources.

Identify recycled content

- Any percentage of post-consumer recycled content declared on a package must be certified through written verification by the supplier or a certifying agency.
- Do not declare as recycled content, scrap retrieved in the manufacturing process or pre-consumer materials.
- For U.S. distributed packaging follow the FTC (Federal Trade Commission) guidelines for recycled content claims. For all other regions, follow your local requirements.
- Reporting to state regulatory agencies on mandated recycled content is the responsibility of the supplier. Documentation of submitted content should also be provided to the Costco Legal department

Make good choices that impact recyclability

- Make appropriate choices in inks, coatings, laminates, adhesives and other materials that could impact recyclability.
- Suggestions include: choosing inks with no or minimal metal content, use less ink, and/or soy or vegetable-based ink alternatives. Use water-based or repulpable adhesives and consider green UV coatings.

Increase the use of compostable packaging

- We recognize that access to commercial composting programs is vastly smaller than recycling programs, and recycling should be our first objective, compostable packaging can sometimes be an ideal solution.
- Compostable packaging declarations must be based on ASTM D6400 or ASTM D6868 standards.
- While recycling is preferred due to the value of recovered materials, composting is also a method that supports Closed Loop solutions.
- Packaging labeled as compostable must be reviewed through 3rd party certification programs.
- Food packaging that has difficult-to-remove food residues should be designed for compostability.

Elimination of Styrofoam®/expanded polystyrene

Continuation of our current policy to eliminate the use of non-recyclable expanded polystyrene. Alternative materials that are widely recycled or compostable are recommended. Suggested alternatives exist:

- Honeycomb formed paper
- Compressed paper pulp/molded fiber
- Wheat straw compressed pulp
- Green Cell® foam
- Mycelium (mushroom packaging
- Any other material/filler that meets widely recycled or compostable criteria that also provides the required protection

Elimination of PVC - rigid and flexible

The concerns around PVC (polyvinyl chloride) are as follows:

- The presence of vinyl chloride, a known carcinogen according to WHO (World Health Organization), which is used in the production of PVC.
- Not able to be recycled in many curbside recycling programs.
- Flexible film PVC produced in regions outside the US have been found by the TPCH (Toxics in Packaging Clearinghouse) to contain excess levels of heavy metals, specifically lead and cadmium.

Responsible sourcing

Responsible forest management is an important component in sourcing paper-based packaging.

- Fiber procured for paper-based packaging should come from known sources, procured legally and not contribute to deforestation.
- We recognize that there is a limited supply of certified fiber, so we highly encourage the use of recycled content.

The following organizations certify the source of virgin fiber:

- FSC (Forest Stewardship Council)
- SFI (Sustainable Forestry Initiative)
- PEFC (Programme for the Endorsement of Forest Certification)

Health concerns and environmental threats

Packaging should eliminate materials that contribute to potential health concerns and environmental threats such as suspected endocrine-disrupters or toxic heavy metals.

Examples include:

- Dioxins
- BPA (Bisphenol A)
- BPS (Bisphenol S)
- PFAs (Polyfluorinated Alkyl Substances)
- PVCs (Polyfluorinated Compounds)
- Phthalates
- Heavy metals such as:
    - Lead
    - Cadmium
    - Mercury
    - Chromium
    - Barium
    - Nickel
    - Cobalt
    - Arsenic
    - Copper

Thank you!

Your support is greatly appreciated and necessary for our success.

Questions?

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