

# Animal Welfare

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



## Our Mission Statement

Costco is committed to the welfare and proper handling of animals that are used in the production of products that we sell. This is not only the right thing to do, but it also is an important moral and ethical obligation we owe to our members, suppliers, and most of all to the animals we depend on for these products. Costco has adopted the Five Domains for assessing animal welfare. The domains are:

- Nutrition
- Environment
- Health
- Behavior
- Mental State

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

- [MDPI](#)
- [National Library of Medicine](#)

## Collaboration with Experts & Suppliers

We coordinate our efforts through an Animal Welfare Task Force, made up of members from corporate and international buying, animal welfare auditing, global sustainability and compliance, legal and global food safety departments. Our efforts are informed by various global standards and benchmarks. We seek to stay abreast of new technologies and methods through our suppliers, academia and industry experts.

Our engagement with the [Center for Food Integrity](#) included forming an Animal Welfare Committee of outside academics who are experts within dairy, pork, poultry and beef cattle. These four experts, including Dr. Grandin, are highly regarded in their fields with decades of experience in the areas of animal science, animal welfare and animal behavior.

This engagement reviewed our animal welfare policies and procedures, identified issues and opportunities related to animal welfare and provided insights to our team. We have reviewed their suggestions and have already taken action to implement some of them and are evaluating others for consideration.

## Scope & Risk-Based Phased Approach

Because of the number of suppliers Costco has and their geographic dispersion, it is not practical to audit on an ongoing basis to confirm that all suppliers are in compliance with all aspects of our animal welfare policies. Accordingly, we take a risk-based approach with respect to targeting audits and otherwise seeking to confirm compliance. The approach is based upon several factors, including prior audit performance. This has resulted in placing emphasis on auditing suppliers of Kirkland Signature™ items, particularly in the U.S. and Canada. Even as to those items, however, the large number of producers in the supply chain limits the scope and frequency of audits that may feasibly be conducted and evaluated.

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

## Animal Welfare Audits

Costco utilizes recognized audit standards and programs conducted by trained auditors, and looks at animal welfare both on the farm and at processing. The purpose of an audit is to gather current, accurate information concerning the overall welfare of animals. This information is made available to members of the Costco food safety and technology group, and buying staff. Audits apply to:

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

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

Organic certification in the U.S. and Canada, 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 in all of the countries in which we do business.

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

- Costco requires animal welfare audits at processing in accordance with the [National Chicken Council \(NCC\) Recommended Animal Handling Guidelines](#) and the [National Turkey Federation Animal Care Guidelines](#).
- Costco also expects audits to be completed at the hatchery and grow-out facilities.

## U.S. & Canada Poultry: Broilers

# Costco's U.S. Broiler Policy

Broilers are chickens raised for meat (as opposed to eggs). Although broilers have a life cycle of less than 50 days, their welfare is as important as that of animals that have longer life cycles. Most of our poultry needs are met by our complex in Nebraska (Lincoln Premium Poultry or LPP) and three other facilities in the Southeast, which are owned by third parties. One of these producers is certified organic, which brings with it animal-welfare requirements prescribed by the U.S. Department of Agriculture. These four facilities are our primary suppliers (which we call dedicated suppliers).

With respect to our dedicated suppliers: All broilers are cage-free, in chicken houses where they are free to move about without restriction. The minimum standards followed in these houses are based on those developed by the National Chicken Council (NCC). These can be found [here](#). The NCC represents companies that account for approximately 95% of broiler production in the U.S. For our dedicated suppliers, compliance with the NCC standards is regularly audited by third-party auditors, who are independent of Costco and the producers, and are certified by the Professional Animal Auditor Certification Organization (PAACO). For more about PAACO, click [here](#).

An important element of broiler welfare is preparation for production. LPP and our dedicated organic supplier use a technique called Controlled Atmosphere Stunning (CAS). That technique is recognized as a superior method for processing, using methods that are calming for the animals and conducive to the welfare of employees who monitor the process. We are exploring the potential for transition to CAS at other facilities.

Our broiler welfare efforts are currently most highly focused on LPP, which raises around 100 million birds per year. In addition to CAS, LPP has adopted or is focusing on other key elements of welfare:

**Density.** Broilers at LPP are raised to a weight smaller than industry average. When applying density standards that are expressed in weight per area, it is also important to remember that birds are under the maximum weight for the vast majority of their lives. Our dedicated suppliers are operating at a density standard of at least .92 square feet per bird. Due to one of our dedicated complexes being impacted by Hurricane Idalia, they are currently operating at a temporary higher density until those lost houses can be rebuilt. Once completed, the density will return to .92 square feet per bird at that complex.

**Catching And Transport.** LPP uses what it regards as state of the art equipment for gathering of birds when they are ready to leave the chicken houses. This highly automated system reduces opportunities for human mistakes and adverse welfare issues that can occur with manual processes. In addition, the transportation of broilers occurs with covering and ventilation options that are adaptable to the wide range of weather conditions found in Nebraska and Iowa.

## Costco's U.S. Broiler Policy (continued)

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

**Breeding.** Some parties have advocated that Costco and others change to breeds that grow more slowly. We have concerns that slower-growing breeds increase environmental impacts on climate and water due to greater feed demands, elevated energy usage, and higher waste output. These greater impacts should not be incurred absent meaningful gains in broiler welfare. As we increase engagement with our suppliers over reducing emissions in the production of goods for us, it is important that we set a good example in our own operations.

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

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

Early in 2021 we engaged the services of Dr. Grandin, an independent and prominent animal welfare expert, to examine the practices at LPP and make recommendations for enhancements. Dr. Grandin has provided her recommendations, which are now in various stages of implementation. Among other things, they entail enhanced education for farmers raising broilers, improvement of hatchery procedures, improved security for houses, and reduced stocking density. Many of her recommendations have been adopted. A variety of external events have slowed some of our intended progress, but we remain committed to improvements. We continue to engage with Dr. Grandin at our LPP complex annually in person and throughout the year.

## Our Vertically Integrated Poultry Facility

In 2019, Costco began selling chicken produced in Lincoln Premium Poultry, our vertically integrated facility located in Fremont, Nebraska, U.S., which is described in more detail on the “Kirkland Signature” page of our [Merchandising section](#). Animal welfare is a critical component that has been integrated into all aspects of the chicken supply chain, from the hatchery to the grower houses 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 handling and processing is incorporated into the hatchery, feed mill and processing facility.
- The farmer-owned houses 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 houses have automated ventilation systems designed to improve bird air quality and comfort.
- Apollo Gen 2 automatic harvesters are used to more humanely collect our broilers.
- Broiler transport includes trailers with curtains to keep animals sheltered.
- Broilers are unloaded inside a lairage area, to protect them from the weather and help the birds acclimate.
- The lairage area can hold approximately two-hour inventory to allow birds to rest.
- State-of-the-art Controlled Atmosphere Stunning (CAS) system.







## Poultry: Laying Hens

## Cage-Free Eggs

Costco implements animal welfare audits for laying hens:

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

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

- Kirkland Signature egg suppliers are required to audit each house twice a year using the Costco Hen House app platform. The results are automatically transmitted to Costco upon completion.
- The app-based system gives visual examples of how to score each question as needed.
- The app requires the supplier to submit photo documentation for each question, along with the answers as applicable.

Costco is committed to procuring cage-free eggs. In FY23, the percentage of cage-free shell eggs we sell worldwide declined slightly, due to Avian Flu, as indicated in the table on the following page.

In addition, Kirkland Signature Liquid Eggs are cage-free in the U.S. The transition to cage-free eggs will continue to increase with added availability and capacity of cage-free production.

Note: Supply shortages in the U.S. and Canada have recently required us to source a small quantity of non-cage-free eggs to meet our member requirements. We expect this to be temporary.

# Percentage of Cage-Free Shell Eggs by Region

Regions	FY19	FY20	FY21	FY22 <sup>4</sup>	FY23
Australia	59.6%	48.2%	43.8%	50.5%	55.6%
Canada	23.7%	22.8%	22.9%	22.7%	22% <sup>4</sup>
China <sup>1</sup>	N/A	0%	0%	2.1%	2.9%
France	100%	100%	100%	100%	100%
Iceland	100%	100%	100%	100%	100%
Japan <sup>1</sup>	0.6%	0.8%	2.9%	3.6%	10.1%
Mexico	91%	97.3%	100%	100%	100%
New Zealand	N/A	N/A	N/A	N/A	100%
South Korea	3.4%	9.6%	18.7%	77.7%	100%
Spain	100%	100%	100%	100%	100%
Sweden <sup>3</sup>	N/A	N/A	N/A	N/A	100%
Taiwan <sup>1,2</sup>	0%	0%	8.1%	13.8%	16.1%
United Kingdom	100%	100%	100%	100%	100%
United States	90.7%	93.2%	94.2%	97.0%	91.6% <sup>4</sup>
<b>Global</b>	<b>70.8%</b>	<b>72.3%</b>	<b>73.9%</b>	<b>79.7%</b>	<b>77.7%<sup>4</sup></b>

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

2) In Taiwan, the balance of the eggs that are not cage-free come from larger enriched cages, improving bird welfare by providing them with more usable space, scratch pads/mats, perches and nest boxes, allowing the hens to perform more natural behavior.

3) Sweden opened in 2023.

4) U.S. & Canada cage-free supply issues were affected by High Pathogenic Avian Influenza during the winter and spring time period. To keep eggs in stock for our members, we had to partially resort to conventional eggs.



## U.S. Beef

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



## U.S. Dairy

- Costco requests animal welfare audits at the farm level. We 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 report to us that they do not practice tail docking.
- Costco requires its suppliers to implement standards regarding age and pain management as it relates to dehorning 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 expects our veal meat to be traceable to the farm level and that farms are inspected for compliance to meet the following veal policy requirement:

- Inhumane treatment of calves is unacceptable and will not be tolerated at any stage of the animal's life.
- Calves must never be tethered while in a stall.
- There must be a minimum of two calves per stall after 8 to 10 weeks of age. (This is dependent upon calf behavior and health issues that would require a calf to be separated.)
- All stalls must be large enough to allow calves to freely turn around, lie down and maintain normal postures.
- Calves must be inspected at least twice daily by the farmer or caregiver to ensure cleanliness of the animals as well as the stall.
- The farmer or caregiver will also ensure proper fresh air and ventilation at all times.
- Calf diets must consist of nutritious feed and fresh water.
- Veal barns are to receive, at a minimum, one annual third-party humane handling audit per year. These audits are to be made available to Costco Wholesale.
- Veal barns are to be visited by a veterinarian at a minimum of once every grow-out cycle.
- Electric prods are never to be used.
- Non-ambulatory animals are never to be used in production.

## Pork

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

- We continue to encourage suppliers to limit the use of gestation crates for pregnant sows in favor of group housing.
- There may be certain times during a sow's gestation period when she should be separated from the rest of the group. An example of this is the time between insemination and confirmation of pregnancy. Our goal over time is to continue to minimize the time that sows are in confinement.

# Percentage of Costco Pork in Group Sow Housing by Region

The following chart outlines the global percentage of Costco’s Fresh Pork and Kirkland Signature cooler items that came from sows raised in Group Housing<sup>1</sup>, based on supplier reported data:

Regions	FY23
Australia	92.7%
Canada	87.6%
China	100%
France	100%
Iceland	100%
Japan	50.5%
Mexico	63.6%
New Zealand	99.8%
South Korea	83.9%
Spain	98.7%
Sweden	100%
Taiwan	100%
United Kingdom	99.4%
United States	97.3%
<b>Global</b>	<b>92.2%</b>

<sup>1</sup> Group housing for pregnant sows as defined by the American Association of Swine Veterinarians, as a housing environment for more than one sow where, after confirmed pregnant, they have the ability to lie down and stand up unimpeded and to turn around.

- Since January 2023, our U.S. and Canada buyers have exclusively sourced fresh pork and Kirkland Signature cooler items from sows raised in group housing, limiting the time sows spend in gestation crates.
- Approximately one third of our U.S. fresh pork supply is from California Proposition 12-compliant housing. This law requires that breeding sows and their immediate offspring have at least 24 square feet of usable floor space per sow and are not confined in gestation crates.

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



## Antibiotics Overview

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

In 2023, we continued our engagement with a number of U.S. and Canadian suppliers. This year we have asked our suppliers to participate in [The Sustainability Insight System \(THE SIS\)](#), which will give us a better understanding of our suppliers' animal welfare progress, including antibiotic use. It remains difficult in many supply chains to obtain verifiable certificates or affidavits in order to have quantitative metrics regarding the phase-out of routine use of shared use antibiotics.



Supply chains are, for the most part, only minimally vertically integrated (particularly for beef and pork), with our suppliers largely being a few steps removed from those who are raising animals. Many of these growers lack developed systems for aggregating metrics concerning antibiotic usage. This makes it very difficult for our suppliers to gather and aggregate such information to report to us and to track changes in metrics over time.

## Chicken Antibiotic Update

We continue to work with our U.S. chicken suppliers and have made progress on our previous commitments.

In FY23, our U.S. supplier-reported data showed that over 99% of volume (by mass) was raised without routine use of antibiotics important to human medicine. Our dedicated suppliers occasionally resort to market purchases from third parties to fulfill requirements. We do not have this data at this time and will work with our suppliers who purchase from third parties to determine antibiotic use and comply with our policy.

We anticipate that by December 2024, 100% of our Kirkland Signature™ chicken (defined as raw and frozen, sold in the meat case, rotisserie case and canned) sold in the U.S. will be raised without routine use of antibiotics important to human medicine.

## 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 promotes 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](#).

## Monkeys & Coconut Harvest

Costco does not support the use of monkeys for coconut harvesting. We require our suppliers to contractually prohibit the use of any animal labor from their coconut providers. We also require these suppliers to audit their farms and have a third party independently verify compliance.