

Packaging

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



Our Packaging Goals

The Six Rights of Packaging Sustainability

Costco's goal is to reduce our packaging waste by improving our efficiencies, with the added benefit of reducing expenses. We also strive to provide sustainable packaging 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.

To meet those goals, our packaging strategy follows these Six Rights of Packaging Sustainability which we have also shared with our suppliers at our annual Supplier Day event and in the form of Global Sustainable Packaging Guidelines. Our focus is on our Kirkland Signature™ products; also, many of our branded suppliers are taking similar steps:

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

In this document, you will find more information and examples on each of these six rights.



The right reduction

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

Our goal is to reduce the amount of packaging needed overall, without compromising product integrity, and to reduce plastic used in the packaging. With Costco's volumes, even the smallest reductions can create a significant impact. We continue to seek opportunities to reduce our packaging footprint year over year. Here's a look¹:

- 2019: 6 million pounds of plastic
- 2020: 8.6 million pounds of plastic
- 2021: 17 million pounds of plastic
- 2022: 6.4 million pounds of plastic
- 2023: 14.4 million pounds of plastic

¹These figures are from produce packaging and Kirkland Signature packaging.

FY23 Reduction Success Stories

| Country | Description | Impact (Plastic reduction in pounds) |
|--------------------|--|--------------------------------------|
| U.S. | Removed the inner wraps on the Kirkland Signature Paper Towels | 9M+ |
| Canada | In the produce department, reduced plastic in several packages | 17K |
| Taiwan | Changed the Spicy Chicken Wings from rigid plastic to a bag | 78K |
| U.S. | Reduced the gauge of our Ecommerce shipping envelopes | 150K |
| U.S. | Reduced the gauge of the film used on the Kirkland Signature Bath Tissue | 662K |
| South Korea | Multiple bakery items changed to paper box | 46K |
| Mexico | Soy oil bakery packaging changed from rigid plastic to a bag | 55K |
| Multiple Countries | Assorted produce packaging moving from plastic to fiber-based packaging or rigid to flexible in 11 different items | 1.1M |

Success Stories of Our Branded Partners

Altogether, efforts from our branded partners reduced plastic packaging by a reported 5 million pounds. Examples include:



In Canada, Band-Aid® 220s switched from PLA to paper, reducing their plastic by over 140,000 pounds.



In the U.S., Kevin's® Natural Foods packaging eliminated over 190,000 pounds of plastic.



In South Korea, Maeil Bio Aloe reduced plastic packaging by 139,000 pounds.



In Mexico, Clorox® reduced packaging plastic by 17,000 pounds.



The right amount of post consumer recycled content (PCR)

Recycled content use creates needed demand for recycled materials¹.

Our goal is to optimize recycled content for all packaging. When we use recycled content in all materials, including paper, plastic, glass and metal, we support global recycling programs by creating demand for those materials.

Using recycled content 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.

In FY23, 6.7 million pounds of plastic recycled content was implemented and 1.5 million pounds of paper recycled content was implemented across 56 Kirkland Signature™ items, for a total of 8.2 million pounds¹ of new recycled content. We continue to encourage our suppliers to incorporate recycled content to promote recycling, reduce the use of virgin materials and support the circular economy.

¹As used herein, the term “recycled content” is based on supplier-reported data and may contain a mix of post-consumer and post-industrial recycled content.

Recycled Content Success Stories

| Country | Description |
|---------------|---|
| United States | Ecommerce mailer bags contain 75% recycled content |
| Canada | Kirkland Signature Diapers plastic bags now have 20% recycled content |
| United States | Kirkland Signature Extra Virgin Olive Oil PET bottles contain 50% recycled content |
| Taiwan | Kirkland Signature fresh meat PET trays have 100% recycled content |
| Canada | Over 2.6 million pounds of recycled content has been incorporated into trays and shippers for over 50 items |
| United States | Kirkland Signature Himalayan Pink Salt 5-pound tub contains 50% recycled content |

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

¹Based on supplier reported data





The right
fiber:
tree-free or
certified
forest
product

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

We believe that our most impactful first steps to help support good forest stewardship practices and to protect forests are to (1) source our wood, paper and fiber-based products from responsibly managed and certified forests; and (2) use recycled content and/or alternative fibers when feasible.

Costco currently accepts forest management certifications from three leading organizations: Forest Stewardship Council (FSC), Sustainable Forestry Initiative (SFI) or Programme for the Endorsement of Forest Certification (PEFC), with a preference for FSC.

More information about Costco's deforestation goals can be found on the "Environmental Impacts & Land Stewardship" page in our [Merchandising section](#).

Recycling conserves natural resources and reduces pollution.

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

To be considered "recyclable," various rules, regulations and guidelines require that the product be "widely recyclable," meaning at least 60% (or more depending upon the geographic area) of the population has access to recycle the packaging. Widely recyclable packaging is dependent upon the availability of needed materials from recycling streams, which are inconsistent. This underscores the need for a multifaceted approach to recyclability.

Costco relies on the support of many organizations that provide guidance in recyclability, have labeling programs, evaluate materials, support local programs and provide insight into upcoming solutions, regulations and opportunities to collaborate.



The right
recyclable
packaging

Member Organizations



How2Recycle



The Association of Plastic Recyclers



SUSTAINABLE PACKAGING COALITION



PAC Global



AUSTRALIAN PACKAGING COVENANT ORGANISATION
MEMBER



RETAIL INDUSTRY LEADERS ASSOCIATION



The right certified compostable packaging

Composting puts valuable nutrients back into our soils.

Compostable packaging offers an option for packaging that can't easily be recycled. A successful compostable packaging program relies on access to industrial composting services. In the Food Courts of our warehouses where those services are available, we're transitioning to compostable food service packaging in phases as we seek to learn the most effective options while responding to member feedback. We continue to make progress in our Food Court packaging globally and actively seek solutions for the remaining food service items to help reduce single-use plastic.



The right labeling

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

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

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

This past year we have increased our How2Recycle labeling to over 35% of our U.S. Kirkland Signature items and some Canadian items. We now have over 500 products labeled with the How2Recycle system.

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

A new labeling plan: Mexico

Costco's sustainability team in Mexico has created a new labeling program called Recicla-Tips that will make it easier for members to recycle packaging. The new labels are color-coded to indicate recyclability. They include the type of material used in the packaging, such as aluminum, along with instructions on how to prepare the package for recycling. The new labels are first appearing on select Kirkland Signature items, with plans to add other products to the program over time.



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



STOP LIGHT LABELING

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

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



Material Health

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

Packaging Data Collection

Costco has developed a packaging data collection survey to identify and account for the specific materials used in all packaging components for our Kirkland Signature products. Suppliers are assisting us in collecting this information for the purposes of developing comprehensive strategies and to identify areas of improvement. See the Appendix on the next page for reporting information about the U.S. Kirkland Signature plastic packaging.

FAQs & Archived Reports








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

Please see below for archived reports:

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

The report below outlines all of Costco U.S.'s own brand, Kirkland Signature's, primary packaging plastic use for fiscal year 2023*.

U.S. Kirkland Signature: Plastic Packaging Report

| Resin Code | Metric Tons | % of Plastic Packaging | % with PCR |
|---|----------------|------------------------|--------------|
|  | 146,842 | 56.6% | 23.6% |
|  | 33,760 | 13.0% | 10.4% |
|  | 1,873 | 0.7% | 0.2% |
|  | 39,886 | 15.4% | 7.9% |
|  | 26,212 | 10.1% | 4.7% |
|  | 1,624 | 0.6% | 0.0% |
|  | 9,322 | 3.6% | 1.2% |
| Total | 259,518 | 100% | 16.4% |

*Based on supplier provided data