



Kirkland Signature

KIRKLAND *Signature*

While a majority of our merchandise is branded, Costco's line of exclusive private-label products called Kirkland Signature™ continues to grow and expand. Kirkland Signature has grown into a global brand with over \$75 billion in sales in fiscal year 2022.

The Kirkland Signature Concept

Costco's mission is to continually provide our members with the best quality goods and services at the lowest possible prices. With Kirkland Signature, we're able to meet that mission in an exciting range of products. We're also able to focus on our sustainability goals with these products because in developing them we have better control over the entire supply chain, including where the product comes from, environmental impacts, labor conditions, packaging and under what conditions it is produced. 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.
- 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; examine issues related to environmental impacts; list product origin information on the label; and help people in the supply chain receive a fair return, so that the product can succeed in the long term.

Materiality Assessment

Costco worked with Verisk Maplecroft to provide an independent, comprehensive and data-led view of sustainability challenges across a broad range of agricultural raw materials, with a focus on our Kirkland Signature products. This review enables us to make evidence-led decisions to help prioritize sustainability strategy and risk mitigation efforts. Indices reviewed included:

- **Environmental.** GHG intensity, water stress, deforestation, climate change vulnerability, biodiversity and protected areas.
- **Social.** Child labor, forced labor, gender inequality, decent wages, modern slavery and indigenous people's rights.
- **Governance.** Corruption and government stability.

Fair Return

A fair return in the supply chain is important — for Costco to be successful, its suppliers must thrive. This commitment helps to ensure long-term supply and quality while also using market-based approaches to address poverty and malnutrition. Costco believes a fair return is more than the price paid for the item. It includes programs that (1) support producers (i.e., ranchers, farmers, growers/workers) and their communities through training for higher yields, quality and adaptation to climate change and extreme weather events; (2) pay premiums for high-quality products; and (3) improve access to health care, education, housing, clean water and nutritious food for farmers/workers and their communities.

Continuous Improvement

We're working toward these goals one item at a time. Though there is still a way to go in certain areas to meet them, we are also encouraged by stories of success in the Kirkland Signature items to date. You can see several examples under "Commodities & More" on our [Merchandising page](#).

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

Vertical Integration and Poultry Production

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

In creating the chicken complex, Costco and LPP set out to build a vertically integrated facility that:

- Incorporates state-of-the-art equipment and design in its buildings.
- Provides significant economic benefit to the local community and farmers.
- Treats the chickens in accordance with the highest animal welfare standards.
- Is environmentally responsible.
- Provides our members with the highest quality product at the lowest possible price.



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

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

Local Farmers and Growers. The complex relies on the support of more than 77 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), a 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 can be found on the “Animal Welfare” page in our [Merchandising section](#).

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

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](#).

The Canadian Commissary

Costco operates a 93,700-square-foot state-of-the-art facility in Vaughan, Ontario, to produce frozen baked goods that are shipped to U.S., Canadian and Mexican warehouses. The facility features four production lines that produce only eight items for the greatest efficiency. Focusing on producing our high-volume items for Costco Bakeries, while controlling costs and maintaining the highest quality of ingredients, allows us to lower the cost to our members.

The commissary has been able to achieve just over 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 nine regions.
- Kirkland Signature Bottled Water is now produced in eight regions.
- Kirkland Signature Roasted Cashews and Mixed Nuts are now produced in two regions.

Reducing
Food Waste

We continually search for creative opportunities to reduce food waste when producing Kirkland Signature items. Examples follow on the next page.

Food Waste Reduction Examples

For tilapia items, to ensure a product with a more uniform thickness — and a more consistent cooking experience — Costco uses only the top loin for its frozen Kirkland Signature Tilapia Loins. However, this process left the thinner bottom loin of the tilapia as potential waste. Costco has worked with several frozen fish suppliers such as Trident and High Liner Foods to find a solution. The result is frozen tilapia items found in Costco's freezer section such as High Liner Tortilla Crusted Tilapia and Trident Seafoods Panko Breaded Tilapia.



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