

Costco Wholesale's Forest Conservation Commitment: Kirkland Signature Raw Material Sourcing September 2020

Background and 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.

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.

As a first step, 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.

Commitment

Five key commodities in our Kirkland Signature supply chains top the list of commodities contributing to deforestation: palm oil, wood/pulp/paper, soy, cocoa, and beef. We are committed to eliminating deforestation in these raw materials and products.

Palm Oil: Costco Wholesale remains committed to ensuring that the palm oil added to our Kirkland Signature products is responsibly and sustainably sourced. To this end, we will continue to work with our suppliers to move toward Roundtable on Sustainable Palm Oil

(RSPO) certified (or equivalent) palm oil, palm kernel oil and palm oil derivatives (“palm oil”). Our goal is that all palm oil added to Kirkland Signature products will be 100% RSPO certified (or equivalent) by 2021. Our goal is to source Identity Preserved, Segregated and/or Mass Balance certified palm oil over Book & Claim certified palm oil. As of 2019, 96% of the palm oil in Kirkland Signature products was RSPO certified and only 2% of that was Book & Claim.

[Costco Palm Oil Policy 2015](#)

Wood/Pulp/Paper: Costco Wholesale remains committed to sourcing from certified forests all of its wood, pulp and paper products. All teak sold at Costco is FSC 100% certified. Costco sells other FSC-certified solid wood products, which include cedar wood playsets, gazebos, bee houses, outdoor furniture, and pavilions.

Kirkland Signature paper based products are also sourced from certified forests:

- Bath tissue, paper towel, napkin, facial tissue, parchment paper, gift wrap, are certified by FSC, SFI, or PEFC.
- Register tape used in our U.S. and Canadian warehouses and gas stations is FSC certified, and we are working to expand that to all warehouses worldwide.
- The Costco Connection magazine, which includes all of our global editions, Costco Today and Multi Vendor Mailers are certified by FSC, PEFC or SFI.

We recently identified Kirkland Signature Photo Paper being sold online that is not currently certified but we are working to address that gap.

Costco remains committed to sourcing its fiber from recycled content and certified forest management programs. To reduce our use of virgin fiber, we will maintain a 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.

Costco aims to increase recycled content in our paper packaging. Examples include:

- 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.
- In FY 2020, our Canadian ecommerce shipping boxes for Costco-fulfilled items are now at least 30%.
- All U.S. Costco Food Courts are transitioning to a pizza box made from 100% recycled content.

[Costco Packaging Sustainability.](#)

Soy: Costco will continue to source Kirkland Signature soy-based products, such as Kirkland Signature Soybean Oil & Kirkland Signature Organic Soy Milk from sources that are deforestation free.

Cocoa: Costco will continue to support efforts to eliminate deforestation in cocoa production. We are aware that the Ivory Coast 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 Ivory Coast. Costco has recently funded the replanting of 110,000 trees in the Ivory Coast to facilitate reforestation efforts. By 2021, all cocoa farmers in the program should have their farms GPS polygon mapped for monitoring and to be sure they are not located in protected forests.

[Costco's Sassandra Cocoa program](#)

Beef: 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 Brazil.

We expect to update our commitment in the future as additional information becomes available and will consider additional commodities for future inclusion. Costco will continue to collaborate with multi-stakeholder, non-governmental, industry and other organizational efforts to further define and achieve deforestation-free sourcing. We expect our suppliers to report to us the relevant sourcing information to inform progress on this commitment, including certification details. Costco will communicate progress on this commitment in our annual Costco Sustainability Commitment report.

Certain statements contained in this Forest Conservation Commitment 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 believes or anticipates may occur in the future. 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. 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. 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, the impacts of the Covid 19 pandemic and other health crises, 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 that they are made, and the Company does not undertake to update them, except as required by law.