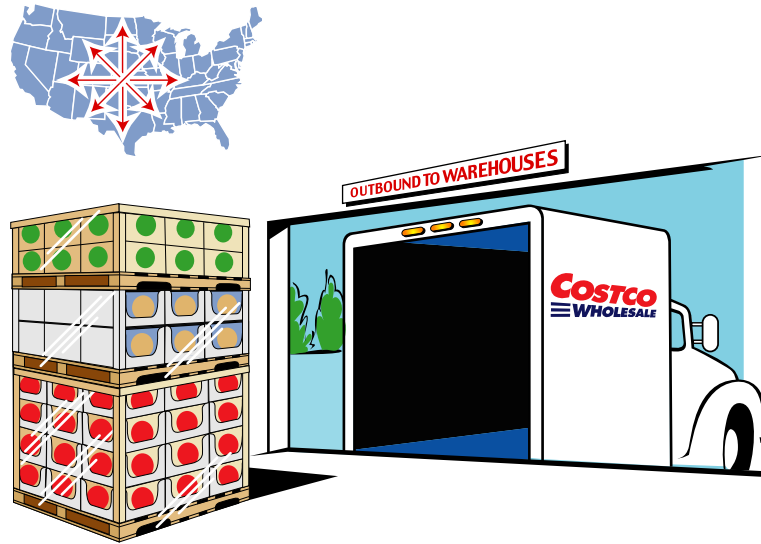


Objectives



Our goal at Costco continues to be to provide quality products to our members at a great value. To achieve this, we continue to focus on opportunities to lower costs. By utilizing Costco's Structural Packaging Specifications, you will help to lower costs and ensure that our products arrive safely, without damage to our warehouses.

Costco's depots are managed as cross-dock facilities. We do not hold or store inventory at our depots. Products are received and shipped out to warehouse locations on the same day. Packaging must be engineered to maintain its structural integrity throughout Costco's entire supply chain. *Refer to 1.0 Package Engineering Factors and Performance Requirements.*

Costco merchandises its inventory on 48" x 40" pallets. Pallet loads of product are moved into place by forklifts or pallet jacks. Additional product for daily replenishment is stored in the steel shelves above the pallet run. Our packaging specifications help to ensure that Costco's employees and members are working and shopping in a safe environment. *Refer to 2.0 Unitized Pallet Requirements.*

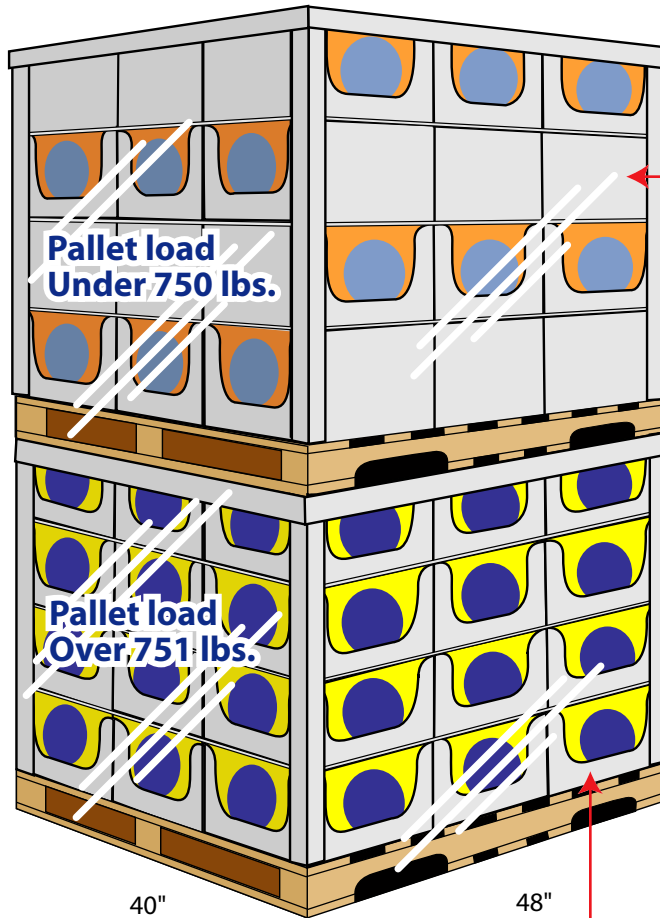
Costco's goal is to drive out costs by eliminating extra packaging, handling, and corrugate waste, whenever possible. However, when trays are required to transport and protect the product from damage, it is a requirement of doing business with Costco that the trays are useful in every way, including functional boxes for members to carry out their purchases. Packaging must be display-ready, with no handling required. *Refer to 3.0 Corrugated Master Display Modules and Trays.*

Costco's Structural Packaging Specifications may not be able to encompass each and every circumstance. *Refer to Addendums (additional or modified requirements for specific departments).* If you have any concerns that your packaging cannot meet our specifications, contact your Costco buyer. In limited circumstances, exceptions or extensions may be granted.

On an ongoing basis, Costco will be conducting random performance compliance audits to confirm that packaging meets our specifications. If packaging is non-compliant, the item may be at risk of deletion, or subject to a 2% charge back reimbursing Costco's operational and handling costs as a result of non-compliant packaging. No new items will be brought into the system unless it is compliant with Costco's packaging requirements.

Please join us in supporting Costco's objectives to drive out costs and bring greater value to our members. We appreciate your participation and support.

1.0 Package Engineering Factors and Performance Requirements



1.1

Package Engineering Requirements: (safety factor calculation)

- 1.1.1 Packaging must be engineered to comply with ISTA (International Safe Transit Association www.ista.org) pre-shipment tests 1a and 3e, freight carrier rules and government regulations that are mandatory within their respective jurisdiction.
- 1.1.2 Packaging must be engineered to withstand long haul transit dynamic load factors (over 500 miles) without damage.
- 1.1.3 Packaging must be engineered to withstand forklift, pallet jack handling and mechanical layer clamping without damage.
- 1.1.4 Packaging must be engineered to withstand 80-90% high humidity environmental conditions without failing.
- 1.1.5 Packaging must be engineered to withstand a minimum of four weeks storage time under load weight without failing.
- 1.1.6 Packaging for cooler/freezer products must be able to withstand refrigerated temperatures in a moist environment without failing.

(Stacking strength is defined as the maximum compressive load that a container can bear over a given length of time under given environmental conditions without failing.)

- 1.2.1 Each pallet load under 750 lbs. must be capable of withstanding 1500 lbs. of weight on the bottom product layer without damage. To determine overall packaging performance requirements, include environmental factors specified in 1.1 Package Engineering Requirements.
- 1.2.2 Each pallet load over 751 lbs. must be capable of withstanding 2500 lbs. of weight on the bottom product layer without damage. To determine overall packaging performance requirements, include environmental factors specified in 1.1 Package Engineering Requirements.

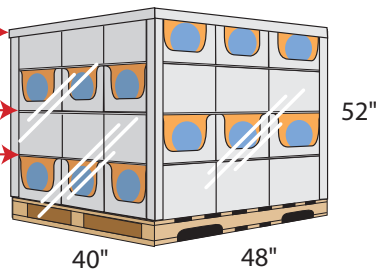
2.0 Unitized Pallet Requirements

2.1 Pallet Load Configuration Specifications:

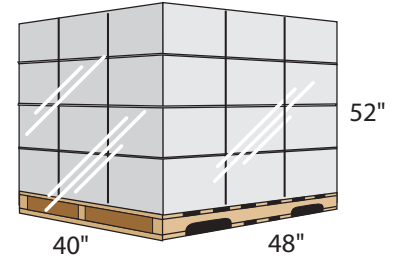
- 2.1.1 Pallet footprint must not exceed 48"x40" (no overhang). Recommended footprint is 47.5"x39.5".
- 2.1.2 Underhang pallet footprint cannot be less than 44"x37".
- 2.1.3 Unitized packaging must maximize pallet area without gaps between units.
- 2.1.4 False bottoms or middles (chimneys) are not allowed, except when requested by Costco Buyers. Pallet loads with false bottoms or middles (chimneys) must comply with our stacking strength requirements

2.2 Unitized Pallet Requirements *(For products shipped in display-ready corrugated packaging.)*

- 2.2.1 Pallet load weight must not exceed 2500 lbs.
- 2.2.2 Pallet loads must be engineered to double-stack in-bound to Costco whenever doing so optimizes freight efficiencies. No pallet load may be taller than 58", including 5.5" for pallet height.
- 2.2.3 Layer sheet requirements:
 - a) Must use layer sheets or layer caps between product layers for all items shipped in open top master display modules with the exception of display modules with locking stack tabs. If display module weighs over 35 lbs, layer sheet must be a minimum of 150 lbs Mullen test board.
 - b) Shink-wrapped products or products shipped in boxed packaging with smooth, slippery surfaces require non-skid coated layer sheets.
- 2.2.4 Pallet cap or layer sheet is required when top of pallet load is exposed to protect from damage.
- 2.2.5 Rigid corner posts recommended on all four corners of the pallet extending full length top to bottom. Plastic corner posts are not allowed. Corner posts must not bend from vigorous stretch wrapping.
- 2.2.6 Stretch wrap pallet load to bottom of pallet to avoid load slippage. A minimum of .79 gauge stretch film wrapped three times, or the equivalent in performance, is required. Use of netting is restricted.
- 2.2.7 Plastic strapping is allowed. No metal strapping.
- 2.2.8 Pallet load must be stacked in display ready mode facing 48" side of pallet. Desirable to be shoppable from both a 48" and 40" side.



- 2.2.9 Large display boxes with vertically unstable products such as mirrors, picture frames, mops etc. must use additional vertical mid pallet dividers/support to reduce possible shifting. Center of gravity is to be as low and as centered on pallet as possible.



2.3 Unitized Pallet Requirements *(For products shipped in fully enclosed corrugated shipping containers when display packaging is NOT required.)*

- 2.3.1 Pallet load weight must not exceed 2500 lbs.
- 2.3.2 Pallet load height must not exceed 58", including 5.5" for pallet height.
- 2.3.3 Stretch wrap pallet load to bottom of pallet to avoid load slippage. A minimum of .79-gauge stretch film, wrapped three times or the equivalent in performance is required.
- 2.3.4 Plastic strapping is allowed. No metal strapping.

2.4 Unitized Pallet Requirements *(For bagged products weighing over 10 lbs. (i.e., pet food, flour, sugar, rice))*

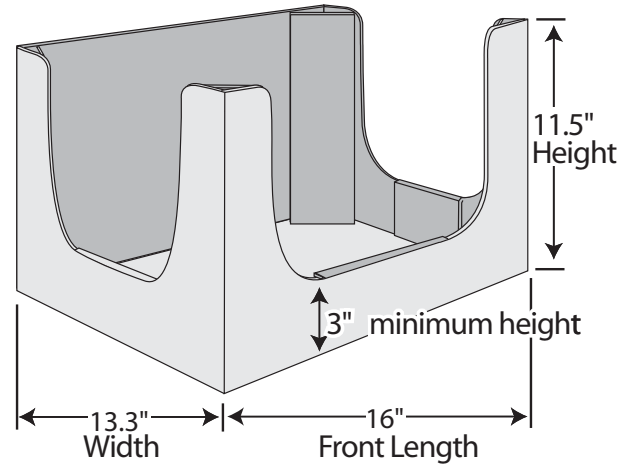
- 2.4.1 Pallet load weight must not exceed 2500 lbs.
- 2.4.2 Pallet load height must not exceed 58", including 5.5" for pallet height.
- 2.4.3 A layer sheet is required under the bottom layer of product and on top of the pallet load.
- 2.4.4 Pallet loads of bagged products must be unitized in one of the following three options:
 - a.) For automated production, 1.2 mil one-side cling, puncture resistant blown 1m is required. A minimum of three layers of 1m is required around the bottom third of the pallet load and three layers of 1m on the top third of the pallet load. Stretch wrap the pallet load securely to the bottom of the pallet.
 - b.) Fully enclose all four sides of pallet load with a corrugated shroud and stretch wrap entire load to bottom of pallet. A minimum of 79 gauge stretch film wrapped three times is required. Tie off bottom of stretch wrap to the pallet.
 - c.) Place product in a corrugated 40"x48" tray maximum with a minimum height of 12". Stretch wrap pallet load to bottom of pallet. A minimum of .79-gauge stretch film wrapped three times is required. Tie off bottom of stretch wrap to the pallet.

See addendum for specific department requirements.

3.0 Corrugated Master Display Modules, Trays or Shipping Containers

3.1 Master Display Module and Tray Specifications:

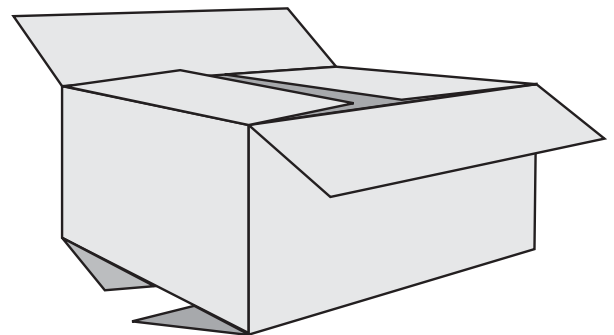
- 3.1.1 Ship products in a display module or tray only if necessary to transport and protect the product from damage. Master display module must be display-ready without knives or labor required to stock product.
- 3.1.2 Tear front panels, plastic strapping, tear tape, telescoping lids and display module covers are not allowed.
Rev. 1/31/04
Exceptions:
Telescoping lid or display module cover may be used if products are distributed in layer quantities.
- 3.1.3 Master display modules must incorporate a design feature that prevents the case above from nesting into the case below (i.e., triangle corners or wide shoulder stacking surfaces.)
- 3.1.4 Master display modules and trays must have a minimum of 3" front panel height. 4" front panel height is recommended.
Rev. 8/7/02
Exceptions:
a.) If product is single stacked with a height equal to or less than 8", the minimum front tray height may be reduced to 2" if the remaining three sides are a minimum of 4".
b.) If product is single stacked with a height equal to or less than 5", the product is exempt from the minimum front height requirements.
- 3.1.5 Product bearing 100% of load weight may be contained, using a low tray, provided that it meets the requirements of 3.1.4.
Rev. 3/15/05
- 3.1.6 a.) When master display module/tray contains multiple sell units, the maximum dimensions allowed are 24" front length and 20" width.
Rev. 3/15/05
b.) Use of large 48" x 40" pallet trays are NOT allowed. Exception: If 24 or less sell units on a layer, a large pallet tray may be used.
- 3.1.7 Maximum weight cannot exceed 40 lbs. Safety handling guidelines recommend case weight not to exceed 25 lbs.
- 3.1.8 Center support dividers are required for large display boxes containing vertically unstable products such as mirrors, picture frames, bulletin boards etc.
Rev. 9/27/02
- 3.1.9 Optimum display module size is 16" Front length x 13.3" Width x 11.5" Height for front end functionality and maximizing pallet cube.
- 3.1.10 Master display module or tray must be able to support product weight without buckling, independent of the structural support of the unitized pallet load.
- 3.1.11 Master display module presentation is as important as unit presentation at point of sale.



Optimum Size (Generic Example Only. Side cut outs are not mandatory.)

3.2 Master Shipping Container Specifications: (When display packaging is NOT required.)

- 3.2.1 Products must be shipped in fully enclosed corrugated shipping container with a Box Manufacturer's Certificate stamped on the bottom outside surface of each box.
- 3.2.2 Maximum weight cannot exceed 50 lbs when master case is of the size to be hand lifted.
- 3.2.3 MRA (Moisture Resistant Adhesive) is required for all corrugated packaging that is exposed to a moist, refrigerated environment.
- 3.2.4 Use of wax coated containers is restricted with the exception of crab, broccoli and asparagus.



*Notation: All box measurements are outside dimensions.

See addendum for specific department requirements.

4. BLISTER PACKAGING & VOUCHER CARDS

Revised May 2009

These requirements do NOT apply to produce clamshells or unit-dispensing blister cards (as for pharmaceuticals and gum).



Card-and-Blister



Stretch Card



Blister Box



Blister Card



Voucher



Clamshell

4.1 GENERAL COMMENTS & REQUIREMENTS

4.1.1 **BLISTER STYLE** – Costco prefers card-and-blister (*trapped blister*), stretch card (*stretch pack*), box-and-blister (*blister box*), or blister card (*skin board or mock clamshell*) packaging to clamshells (*two-piece blister packs*).

We've found clamshell alternatives feasible in virtually every situation. If multiple packagers, who pack routinely in clamshell alternatives, told you your product cannot be packaged compliant with Costco's specifications in a clamshell alternative, contact your Costco Buyer for direction. In rare cases where we make an exception and allow a clamshell, the exception is temporary and extends only to that specific product in the production or sales cycle in question.

4.1.2 **SUSTAINABILITY OF MATERIALS** – All packaging component materials should be readily recyclable, compostable, or biodegradable by consumers in the areas where the product will be sold.

Rigid PVC plastic (*vinyl*) is not readily recyclable by consumers; therefore, **rigid PVC is not acceptable** (see 4.2.1).

Virgin and recycled paper are equally sustainable environmentally. Virgin fibers offer greater strength - high-performance paperboard made primarily from virgin fiber often provides a sustainability advantage by enabling source reduction. All paperboard must be recyclable per industry standards, and marked with an appropriate recycling symbol.

4.1.3 **SUPPLY CHAIN** – Our supply chain extends to our sales floor, where packaging and full-pallet displays must maintain their integrity during handling by Costco Members and employees. Conventional testing cannot predict failures on our sales floor. (For example, display trays that fail on our sales floor – by nesting, for example – often perform quite well during ship tests.) Engaging the expertise of a packaging engineer/designer who specializes in club design (see 4.1.4) can ensure that your packaging, unit (pallet) load, and trailer/container load meets Costco's requirements, is efficient and effective in production, and optimizes your Costco sales opportunity.

4.1.4 **STRUCTURAL INTEGRITY** – Packaging must comply with this and all areas of our Structural Packaging Specifications.

Costco does not give structural approval of packaging. Suppliers are responsible for the structural quality and integrity of packaging throughout the supply chain (see 4.1.3). A packaging engineer/designer with specialization in both unit load and Costco's sales floor can ensure that packaging meets our requirements. (These engineers/designers are usually employed by box manufacturers. Their services are included in the price of the materials you purchase from their company.)

⊗ Packaging non-compliant with our specifications is refused or otherwise considered unsaleable (see 4.1.6).

4.1.5 **AESTHETICS** – Costco must approve the "look and feel" (including graphics) of packaging prior to production. For approval, provide production-quality samples of each unique sell unit and display tray, and a detailed schematic of the unit/pallet load and shipping/truck load configuration(s) (supplied by a packaging engineer/designer).

Costco approvals do not include the structural integrity of packaging (see 4.1.3).

⊗ Product is unsaleable (4.1.6) if we deem that the packaging shipped differs materially from the samples we approved.

4.1.6 ⊗ **NON-COMPLIANCE** – Packaging non-compliant with our specifications, that differs materially from the samples we approved, that Costco's deems unsafe, may be refused or otherwise considered unsaleable, at Costco's discretion. Refused or unsaleable goods are the supplier's responsibility of the (see the Costco Basic Vendor Agreement and our Standard Terms). Contact your Costco Buyer to understand the full ramifications of refused or unsaleable product.

4. BLISTER PACKAGING & VOUCHER CARDS

Revised May 2009

4.2 PLASTIC COMPONENTS

- 4.2.1 RPET (post-consumer recycled PET) is preferred whenever feasible. **Rigid PVC is not acceptable** (see 4.1.2). Identify rigid plastic with the appropriate SPI resin code and common abbreviation. Place it on the exterior so it can be viewed without opening the package. SPI markings must comply with SPI guidelines, applicable laws, and FTC guidelines.
SPI Resin Codes: www.plasticsindustry.org FTC Guides: www.ftc.gov/bcp
- 4.2.2 Shape rigid plastic cavities appropriately to the product they hold. Product must be held securely and must not be able to move about as the package is handled. **(See also 4.3.7.)**
- 4.2.3 Structurally, plastic must be thick enough to hold the product(s) securely and resist damage throughout the supply chain (see 4.1.3). Visually, plastic must have great clarity and must not show defects.
- During normal handling and over time:
- **Rigid plastic** must not crack, chip, shatter, shard. There can be no sharp edges or points that could cause injury. It must not easily bend, dent, or otherwise deform. There must be no visible defects (such as changes in gauge thickness, air bubbles, clouding, discoloration, or warping).
 - **Shrink film** must not tear, puncture, or stretch out of shape. It must be taut and remain so throughout the supply chain and over time. It must not have visible defects (such as changes in gauge thickness, air bubbles, wrinkling or pleating, clouding, or discoloration).
- ⊗ *Plastic with cracking, sharp edges, or other defects that can cause injury is unsafe. At Costco's discretion, we consider unsaleable (see 4.1.6) entire product lots if we deem that some or all of the packaging is, or is likely to become, unsafe.*

4.3 FINISHED PACKAGES

- 4.3.1 **Clamshells should not be used** (see 4.1.1).
- 4.3.2 Design finished package size to be proportionate to the product, its display tray, and the selling space available for the product. Your Costco Buyer can tell you if your proposed package size is acceptable.
- 4.3.3 Size the front and back appropriately to one another. They must line up exactly (there can be no misalignment).
- 4.3.4 Position product so the finished package's center of gravity prevents it from falling or leaning while on display.
- 4.3.5 Size cavity openings (die cut holes) proportionately to the product and plastic cavities within them.
- 4.3.6 Some products require security. Finished packages must be highly tear-resistant when they contain products requiring security. *Contact your Costco Buyer to find out if your product requires security. (See also 4.3.7)*
- ⊗ *The need for security is not sufficient reason to substitute a clamshell.*
- 4.3.7 **PLASTIC MUST BE SECURED SUCH THAT IT CANNOT BE PULLED FROM THE FINISHED PACKAGE UNTIL THE PACKAGE IS OPENED.** Exercise additional care with heavy goods and those requiring security (see 4.3.6). This applies to all blister package types (including box-and-blister).
- ⊗ **Suppliers are responsible for losses due to improperly secured plastic.** *At Costco's discretion, we may deem unsaleable entire product lots if we determine that the plastic is not properly secured in some or all finished packages (see 4.1.6).*
- 4.3.8 **Seal finished packages fully on all sides and corners. Seals must remain intact throughout the supply chain** (see 4.1.3). "Easy-Open" features must maintain their integrity (and must not begin to open) during normal handling on our sales floor.
- ⊗ *Finished packages that are not properly sealed are unsaleable (see 4.1.6).*
- 4.3.9 Finished packages must remain rigid and maintain their intended shape, including flatness, throughout the supply chain (see 4.1.3). Packaging must not bend or bow, delaminate, loose shape, crease, bulge, bubble, warp, or develop visual defects while on display and over time. *(See also 4.2.3)*
- (Extra-heavy-duty or laminated cardstock, corrugated inserts or exteriors, and/or over-sized rigid plastic flanges may be necessary. Engineer packages containing multiple products to strategically place product to inhibit bending while still optimizing aesthetic appeal.)
- See section 1.0 of Costco's Structural Packaging Specifications for stacking strength requirements.
- ⊗ *Failed structural integrity renders the package unsaleable (see 4.1.3 and 4.1.6).*



STRUCTURAL PACKAGING SPECIFICATIONS

4. BLISTER PACKAGING & VOUCHER CARDS

Revised May 2009

- 4.3.10 Engineer reusable packages (vouchers) to maintain their structural integrity and aesthetic appeal while sustaining handling by Costco Members and employees multiple times over an extended time.
Contact your Costco Buyer for more definitive handling and time requirements for each voucher.

4.4 DISPLAY TRAYS AND UNITIZATION

- 4.4.1 Display trays must comply with section 3.0 of our Structural Packaging Specifications. Unitized loads must comply with sections 2.0 and 1.0. **Pay particular attention to stacking strength**, recommended footprint, and display facing requirements. See 4.1.2 for paperboard sustainability guidelines.
⊗ *Display trays or unitization non-compliant with our specifications renders the product unsaleable (see 4.1.6).*
- 4.4.2 Interior display tray partitions must hold the finished packages securely, especially while the trays and packages are handled on our sales floor. **Partitions should not be glued or otherwise attached to the display tray** (to better facilitate reuse of the tray as a carry-out box for our Members purchases).
- 4.4.3 Slotted display trays should contain only as many partitioned slots as will be filled by product. (Any exceptions must be requested by Costco and cannot be assumed based on items or programs formerly shipped to Costco.)
- 4.4.4 Engineer display trays for reusable packages (vouchers) to maintain their structural integrity and aesthetic appeal while sustaining handling by Costco Members and stockers multiple times over an extended time.
Contact your Costco Buyer for more definitive handling and time requirements for each reusable tray.
- 4.4.5 **Pallets must comply with section 5.0 of our Structural Packaging Specifications.** See Costco's Loadable Dimensions and Standard Routing Guides for additional shipping and transportation guidelines.
(Note that **Stringer/GMA pallets are unacceptable.**)
⊗ *Product on pallets non-compliant with our specifications is refused (see 4.1.6).*

**CWI (Costco Wholesale Industries) manufactures card-and-blister packaging and their displays.
To obtain a bid for an item that a Costco Buyer has expressed interest in, contact:**

Toni VanWeerdhuizen	tvanweerdhuizen@costco.com	425-313-8622
Mike Miller	mmillera@costco.com	425-427-7528

5. PALLETS

Goods remain on their delivery pallet until they are sold (to reduce product damage and cost, and improve efficiency). Goods are displayed and sold on their delivery pallets. Palletized overstock is stored above our sales floor in structural racking (with no decking). Therefore, our pallet standards are quite high, structurally and aesthetically. We encourage our suppliers to use the lightest weight, most durable pallets in the marketplace.

5.1 GENERAL-USE PALLETS

5.1.1 Costco requires **iGPS, PECO, or CHEP BLOCK** pallets throughout North America.

JAN 2011

- A **GMA #1/STRINGER PALLETS are NO LONGER ACCEPTED** as general-use pallets [see 5.2].
- B Includes IMPORTS [see 5.3.3], E-Commerce, and deliveries from contract packagers and third-party logistics services.
- C Includes all Costco facilities - Depots (distribution centers); Warehouses (stores); production and packaging sites, etc.



APPROX. 70 LBS WOOD
USA, CANADA, MEXICO
SOME OVERSEAS IMPORTS



48 LBS PLASTIC
USA, CANADA, MEXICO



APPROX. 70 LBS WOOD
USA, CANADA, MEXICO
SOME OVERSEAS IMPORTS

MAR 2014

sales@pecopallet.com 877-227-7326

info@igps.net 800-884-0225

ALL OVERSEAS EXPORTS (AUSTRALIA, UK, EUROPE, ASIA)
costcosupplier@chep.com 800-243-7255

5.1.2 Suppliers are responsible for shipping overLAND goods palletized. (See 5.3 for overseas shipments.)

5.1.3 In limited circumstances, we approve whitewood pallets:

- A Purpose-built (custom) pallets [see 5.2].
- B Block pallets **EQUAL** to, but a **BETTER VALUE** than, those named in 5.1.1 [see -C]. [For EXPORTS see 5.3.4]

Costco's mission, "To CONTINUALLY PROVIDE OUR MEMBERS WITH QUALITY GOODS AND SERVICES AT THE LOWEST POSSIBLE PRICES", and our requirement that suppliers consistently and voluntarily quote the lowest possible prices, **obligates suppliers to source compliant pallets at the best value.** Before you purchase, be certain you cannot source any of the pallets named in 5.1.1 at a better value.

- C We require a PDS™ Report to seek our WRITTEN APPROVAL. Email info@9BLOC.org to source qualified pallet providers.
- D We do NOT participate in pallet exchange (we do not return or exchange pallets for those being delivered).

5.2 PURPOSE-BUILT (WHITWOOD CUSTOM) PALLETS

Purpose-built pallets vary from our standard, which increases costs by reducing our operating efficiency. Purpose-Built pallets are acceptable only when we determine they are more desirable than the alternative(s). See 5.1.3-C, and email nlc@costco.com if you think your goods qualify to use purpose-built pallets. Situations that justify purpose-built pallets:

- A Costco determines that **oversized pallets** are necessary to handle or transport goods safely and efficiently.
- B Costco requires a support or display structure (rack, bin, etc) be **screwed/bolted to the pallet**.
 - DEC 2013** #1 If the structure can be secured to a 48"x40" pallet with **cable/zipties or strapping**, use a pallet named in 5.1.1. In case some become loose or fail, double the amount of cable/zipties or strapping you would otherwise use. Joints should be under or inside the display, most not protrude, and must not pose an injury or tripping hazard.
 - #2 If we decide the display structure must be secured using screws or bolts, design [see 5.1.3-C] a Purpose-Built pallet. Email safety@costco.com for guidance and feedback on the structure and how it's attached.
- C The pallet itself is included in **full-pallet-quantity sales to our Members**. Contact your Costco Buyer for confirmation.
- D The pallet companies in 5.1.1 will not allow use of their pallets due to **potential contamination**.
 - #1 We require confirmation from pallet companies (except for live or fresh-cut plants and trees).
- E **Overseas IMPORTS** that MEET ALL THREE CONDITIONS:
 - #1 The **OVERSEAS CONTAINER is UNLOADED BY COSTCO**. [See also 5.3.3-A]
 - #2 Costco wants the goods palletized overseas.
 - #3 CHEP and PECO will not supply North American export pallets to your overseas factory.

5. PALLETS

5.3 IMPORTS AND EXPORTS

- 5.3.1 Shipments between countries in North America must deliver on pallets [see 5.1.2 & 5.1.1].
- 5.3.2 Deliveries to Costco Laredo, and Costco Mira Loma destined overseas, are exports and must comply with 5.3 and 5.1.
- 5.3.3 **IMPORTS/Overseas goods shipping INTO NORTH AMERICA:**
- A **CONTAINERS UNLOADED AT A NON-COSTCO SITE** must deliver on pallets named in 5.1.1. Unless goods ship overseas on PECO or CHEP, stack onto pallets named in 5.1.1 in North America. [See 5.2 for qualifications to use custom pallets.]
 - B Containers unloaded by Costco usually arrive without pallets; email nlc@costco.com for our requirements. [See also 5.2]
 - C **ASIA:** See -A and -B. (We do NOT accept block pallets from Asia.)
 - D **EUROPE** and all other areas: See -A and -B. Contact PECO and CHEP to pursue use of their North American pallets. Make arrangements as far in advance as possible to ensure availability.
- 5.3.4 **EXPORTS/Goods destined overseas FROM NORTH AMERICA** must ship palletized:
- A This section applies whether or not the goods are containerized by Costco.
 - B Export to **AUSTRALIA** and the **UNITED KINGDOM** on heat-treated CHEP EUR2 (B1210A) block pallets.
 - MAR 2014** -C Export to **ASIA** and **EUROPE** (Spain, France) on **heat-treated** CHEP North American (B4840A) block pallets.
 - D Compliant whitewood block pallets are roughly twice (or more) the cost of CHEP pallets. Rarely, purchasing whitewood is a better value [see 5.1.3-B & 5.1.3-D]. See 5.3.5, and 5.1.3-C for whitewood approval and sourcing.
- 5.3.5 Pallets must be wood (no engineered wood, paperboard, or plastic for import or export). [See also 5.3.3-B]
- 5.3.6 Governments require **ISPM 15 compliance** to import wood (pallets and packaging materials). [See also www.ippc.int]
- 5.3.7 Costco requires ISPM 15 **heat-treatment**.
EXCEPTION: We accept fumigation when we are satisfied that heat-treated pallets cannot be sourced.
- 5.3.8 ISPM 15 marks should be heat-branded. Marks cannot be red or orange. Marks that become illegible or transferrable render the pallet non-compliant with ISPM 15 (and can subject the entire container to rejection at customs inspection) [see 5.3.12].
- 5.3.9 **ISPM 15 marks** must be on **BOTH 48" SIDES** of pallets. Mark purpose-built [see 5.2] pallets on both outer stringers.
- 5.3.10 Pallets (and packing materials) must comply with any other import requirements of destination countries.
- 5.3.11 Wood pallets (and packing materials) **SHIPPING OVERSEAS** must be **CONTAINERIZED** at a **MOISTURE CONTENT of 19% or less**. Work with your pallet provider to ensure pallets are at or below 19% moisture content when you receive them, and to understand how to prevent moisture content from exceeding 19% prior to containerization [see 5.3.12].
- 5.3.12 Suppliers are responsible for issues relating to ISPM 15 compliance, moisture content, and other export and import regulations, throughout the supply chain. This includes import inspection for goods containerized by Costco. [See also 5.4]

5.4 NON-COMPLIANCE AND VISUAL ASSESSMENT AT COSTCO

- 5.4.1 **Whitewood** (purpose-built or block) pallets without prior approval are rejected [see 5.1.3 & 5.4.4].
- 5.4.2 Pallets for **export** that are non-compliant with ISPM 15 [see 5.3.6] are rejected [see 5.4.4]. [See also 5.3.2 & 5.3.1]
- 5.4.3 Acceptance is conditional upon visual assessment, regardless of prior approval or acceptance of the same or similar pallets:
- A We must consider pallets sound and serviceable and that they properly support their load. This applies to all pallets (including those named in 5.1.1, irrespective of conformity to the inspection criteria published by those companies).
 - B We must consider whitewood pallets to conform to the PDS™ Report we approved [see 5.1.3-C].
- 5.4.4 Pallet **rejection** at delivery results in refusal of the goods. Suppliers are responsible for delivery refusals (including reworks), regardless of who arranged or pays for transportation [see our Standard Terms]. At our discretion, we may instead restack goods onto acceptable pallets, at the supplier's expense.
- DEC 2013** 5.4.5 If we later determine that pallets were shipped in non-compliant condition, we will return all remaining goods (or, at our discretion, restack them onto acceptable pallets). The supplier is responsible for all associated costs.

Imports Addendum



These requirements apply to non-palletized, floor-loaded import containers shipped directly from an overseas factory to Costco's distribution center.

Background

When import containers are received at Costco's distribution center, the products are unloaded from the container and placed onto a 48" front length x 40" width wood pallet. The product is positioned on the pallet with the main display face on the 48" side. Products are stacked to an overall height of approximately 48" excluding wood pallet. The pallet loads are delivered to each Costco location and moved into place with mechanical fork lift equipment. Customers shop merchandise directly off the pallet display.



Costco Pallet Display

1.0

Container Unitization Requirements for Floor Loaded Products (not stacked on a wood pallet)

It is a requirement to unitize master cartons by building "pallet packs" before loading the sea vessel container. A pallet pack is defined as multiple master cartons banded together in a fixed unit size. Unitization is required to increase the speed and efficiency of unloading import containers. Labor and handling costs are reduced when mechanical clamping equipment is used to unload pallet packs instead of manually unloading the master cartons one by one. The goal is to load the container by maximizing the use of pallet packs, and stacking the balance as loose cartons. **DO NOT SHIP PRODUCTS ON WOOD PALLETS.**

1.1 Pallet Pack Requirements

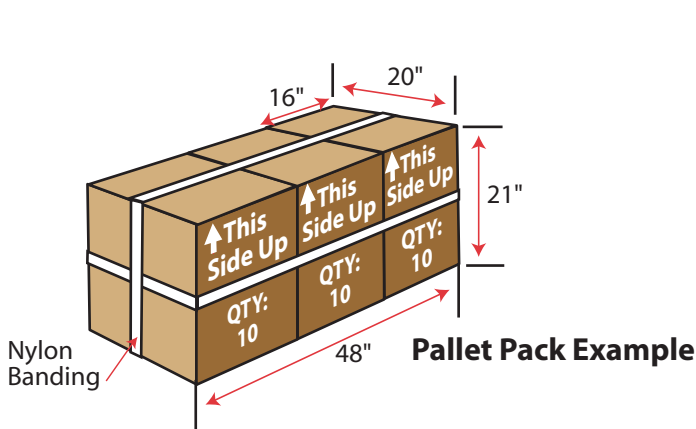
Build pallet packs by banding together multiple master cartons into a fixed unit size. Costco must pre approve fixed unit size. Banding straps must be made of 100% virgin nylon material. Use multiple bands in both directions when necessary to hold master cartons together securely. Another acceptable method of unitizing pallet packs includes stretch wrapping multiple master cartons into a fixed size. Configure pallet pack to a size that will fit onto a 48" x 40" wood pallet. **DO NOT SHIP PRODUCTS ON A WOOD PALLET.**

1.2 Container Configuration Requirements

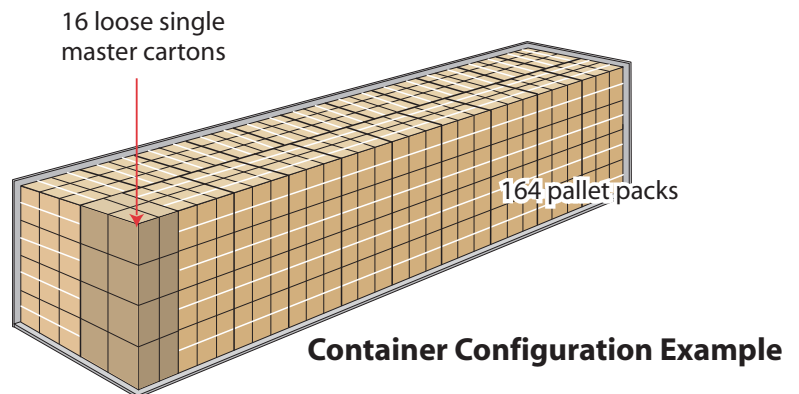
Load container with maximum number of pallet packs and hand stack the balance as loose cartons. **DO NOT SHIP PRODUCTS ON A WOOD PALLET.**

1.3 Pre-shipment Approval Requirement

Prior to shipment, the information provided below must be submitted to Costco for approval.



One master carton: 10 sell units
Master carton dimensions: 16" length x 20" width x 21" height
Weight: 20.46 pounds
Cube: 3.9 cubic feet
Pallet pack: 3 master cartons banded together
 30 sell units



Vessel: 40 ft. Sea Van
Cargo cube: 1976 cubic feet
Cargo Weight: 10393.68 pounds
Pallet packs: 164 pallet packs x 3 master cartons = 492 master cartons
Single master cartons: 16
Total sell units: 508 master cartons x 10 sell units = 5080 sell units

Dept.12 Addendum Candy

Modified or supplemented requirements to 1.0, 2.0 and 3.0 structural packaging specifications



3.0 Corrugated Master Display Modules, Trays or Shipping Containers

3.1 Master Display Module and Tray Specifications:

(Modified)

3.1.1 Ship products in a display module or tray only if necessary to transport and protect the product from damage. Master display module must be display-ready without knives or labor required to stock product.

Exception: Products replenished by vendors on a direct store delivery do not require corrugated master display modules or trays if stocked on shelves or racks.

(Modified)

3.1.2 Gum/Mints products distributed in individual case quantities may be shipped in a master display module with a telescoping lid taped to the bottom on two sides.

3.3 Date Coding Requirements

3.3.1 Date coding is required on a minimum of two sides and the front of each display module or tray.

3.3.2 The format must read: Best Before mm/dd/yy (i.e. 06/12/ 05)

3.3.3 Font size must be a minimum height of 3/8".

Best Before:

06/12/ 05 ← 3/8" Tall

↑ ↑ ↑
Month Day Year

Dept 14 Addendum Sundries

Modified or supplemented requirements to 1.0, 2.0, and 3.0.
structural packaging specifications



3.0 Corrugated Master Display Modules, Trays or Shipping Containers

3.1 Master Display Module and Tray Specifications:

(Supplemented)

3.1.12 Display modules with stacking tabs are restricted.

3.3 Master display requirements for floor cleaning products (i.e. mops/brooms):

3.3.1 (RSC) Regular Slotted Container bottom with 2 1/4" roll over top flaps and pop in tray supports in all four corners. 32 ECT/200 lb Mullen test board, C flute minimum requirement.

3.3.2 Two corner cut trays with die cut holes at top and bottom to ensure vertical pole stability.

3.3.3 Each individual master displayer must be banded vertically to bottom of wood pallet in transit to ensure load stability.

3.3.4 Corrugated shroud is required to completely enclose pallet load. 4" deep pallet cap is required on top of pallet load. Stretch wrap pallet load to bottom of wood pallet to avoid load slippage. A minimum of 79 gauge stretch film or greater is required.

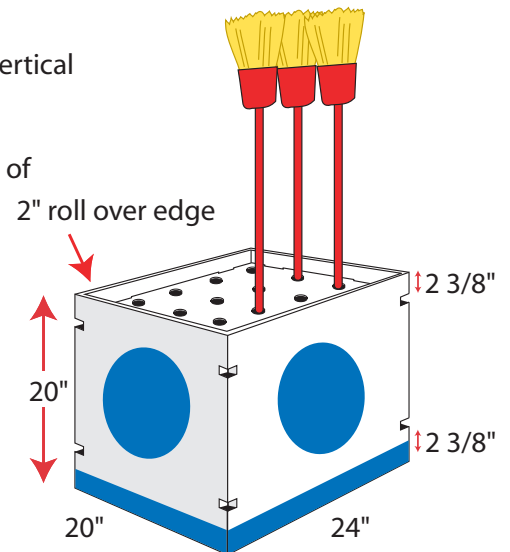
3.4 Bulk bin requirements for pet beds or throws:

3.4.1 44 ECT/ 275 pound Mullen test board, C flute minimum requirement.

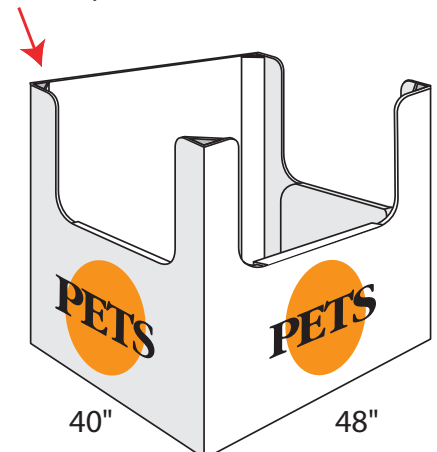
3.4.2 Bulk bins must have smile display openings on the front 48" side and two 40" sides. Tear panels are restricted. Smile display openings must not exceed 50% of the front panel height. Cutouts must have full depth roll overs for enhanced panel strength.

3.4.3 Inner triangular corner supports fastened or adhered to inside four corners required.

3.4.4 Corrugated shroud is required to completely enclose pallet load. 4" deep pallet cap is required on top of pallet load. Stretch wrap pallet load to bottom of wood pallet to avoid load slippage. A minimum of 79 gauge stretch film or greater is required.



Triangular corner posts.



Dept. 16 Addendum Liquor*Modified or supplemented requirements to 1.0, 2.0 and 3.0***Corrugate Master Display Modules, Trays or Shipping Containers****3.1 (Modified) Master Display Module and Tray Specifications:**

3.1.1 - 3.1.11 Non applicable to Dept 16 Liquor.

3.2 Packaging Requirements for Beer

3.2.1 All beer packaging must have functional carry handles or side access holes.

3.3 Display Ready Tray Pack Specifications (when required for wine and spirits):

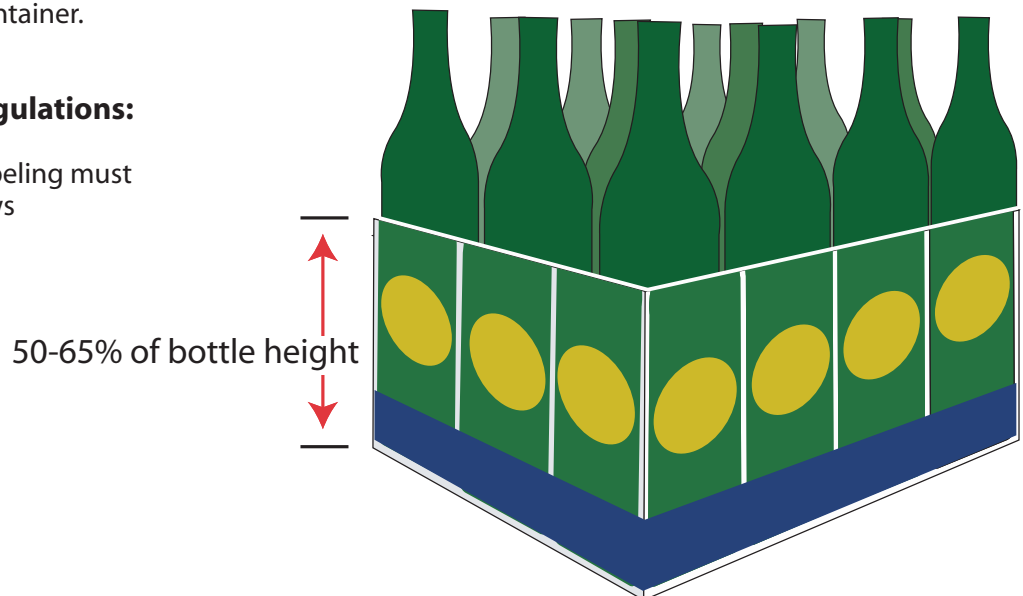
3.3.1 Tray pack must measure a minimum height of 50% of the total bottle height, not to exceed a maximum height of 65%.

3.3.2 Tray pack dividers/inserts must be removable. (No glue.) Dividers should not extend above the top edge of the tray pack. Prior buyer authorization must be obtained if dividers extend to the top of the bottle.

3.3.3 Corrugated tray pack specifications:
Minimum B or C flute 200 pound Mullen test board
(HSC) Half Slotted Container.

3.4 BATF Laws and Regulations:

3.4.1 All packaging and labeling must comply with BATF laws and regulations.



Dept 17/18 Addendum Cooler/Freezer

Modified or supplemented requirements to 1.0, 2.0 and 3.0 structural packaging specifications.

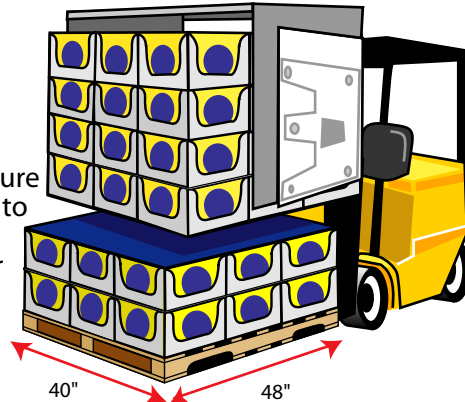


2.0 Unitized Pallet Requirements

2.1 Pallet Load Configuration Specifications:

(Supplemented)

2.1.5 Pallet loads are mechanically clamped for layer distribution. Master display modules should be oriented to sustain mechanical clamping on the 48" sides of the pallet. Hydraulic pressure gauge defaults to 2,500 pounds unless operator manually adjusts setting.



2.2 Unitized Pallet Requirements

(For products shipped in display-ready corrugated packaging.)

(Modified)

2.2.2 Pallet load height may exceed 52" when pallet loads are distributed in layer quantities.

(Modified)

2.2.8 Exposed front of master display modules may be turned toward center of pallet to protect from damage in shipping.

3.0 Corrugated Master Display Modules, Trays or Shipping Containers

3.1 Master Display Module and Tray Specifications:

(Modified)

3.1.2 Products may be shipped in display modules or trays with telescoping lids. Telescoping lids must be taped to the bottom on two opposing sides.

(Supplemented)

3.1.12 Display modules with stacking tabs are restricted to allow product to be pulled forward in cooler.

(Supplemented)

3.1.13 Master display module must be able to withstand side compression without damage from mechanical layer clamping.

(Supplemented)

3.1.14 MRA (Moisture Resistant Adhesive) is required for all freezer and cooler corrugated packaging.

(Supplemented)

3.1.15 Raw, cut exposed corrugated edges with single wall construction do not perform well in a cooler/freezer environment. Rolled over edges, double wall construction, and wide stacking surfaces are recommended.

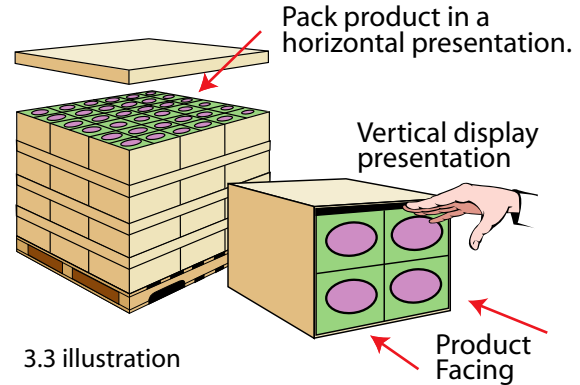
3.3 Display Module Guidelines for Carton-Style Primary Packaging.

3.3.1 Pack product in an open top HSC (half slotted container) in a horizontal presentation.

3.3.2 HSC (half slotted container) must have a minimum rating of 40 ECT/250 pound Mullen test board. Corrugation direction must be in vertical orientation for shipping.

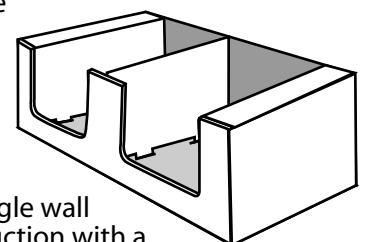
3.3.3 Add 4" deep pallet caps between product layers and top of each pallet load also. Telescoping lids on each case is acceptable.

3.3.4 Carton style product will be displayed vertically with front display panel in a vertical presentation. Allow additional 1/4" finger space at top of HSC presentation for product accessibility. Do not add U shape cut outs at top of box for accessibility.



3.4 Display Module Guidelines for Bagged-Style Primary Packaging.

3.4.1 Corrugated display modules containing bagged-style products must be able to support 100% of the load bearing weight of multiple display modules stacked up to 52" high (without using telescoping lids or layer sheets/caps.) Wide stacking surfaces are required as shown in the illustration to eliminate nesting problems in the freezer/cooler. Single wall side panel construction with a center divider has proven NOT to be sufficient for stacking purposes.

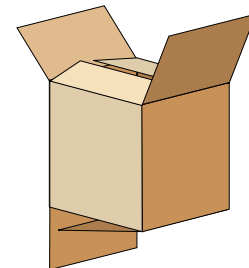


38.1 Packaging Requirements for Upholstered Furniture: (i.e. Sofas, Loveseats)

- 38.1.a Corrugated end caps are required on both ends in a minimum of 200 pound single wall Mullen test board.
- 38.1.b Product must be shipped on a corrugated bottom tray with a minimum of 275 pound single wall Mullen test board.
- 38.1.c Attached legs must be wrapped in cohesive micro foam to prevent abrasion from corrugated tray.
- 38.1.d Detached legs must be contained in a separate bag.
- 38.1.e If product has exposed wood frame, wood trim must be protected with corrugated foam.
- 38.1.f Dust covers must be completely covered with poly film. Do NOT leave the dust cover exposed.
- 38.1.g Product must be wrapped in a minimum of 8 mil two ply, clear poly film or equivalent poly film and poly foam combination. If product is completely cartoned, one 3-4 mil poly cover between fabric and carton wall is acceptable.
- 38.1.h Secure with poly tape, or stretch film. No staples allowed.
- 38.1.i Product must be packaged so that it can be loaded in a trailer set perpendicular to the floor on either end. The product must be vertically stable independent of any other structural support.
- 38.1.j

38.2 Tamper Resistant Master Carton Requirements
For office products, juvenile products, and home décor weighing 75 lbs and under.

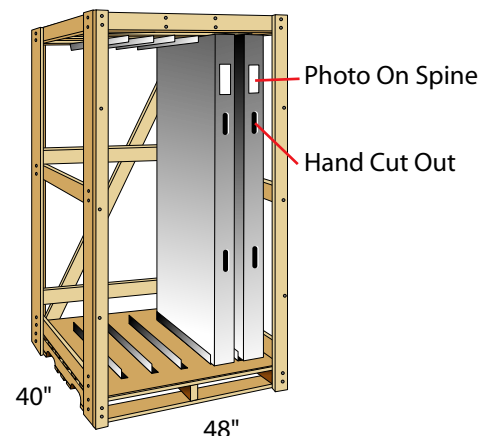
- 38.2.a When tamper resistant packaging is requested by the buyer, master cartons require full overlap flaps on top and bottom.
- 38.2.b Flaps must be glued with a non-toxic, 100% biodegradable water resistant adhesive applied to the entire area of contact between flaps.



Example:
Full overlap
flaps top
and bottom

38.3 Wood Pallet Side-Load Crate Requirements for Large Mirrors and Framed Art (when required by buyer).

- 38.3.a Products must be shipped in a wood crate with dividers or plastic runners at top and bottom to separate and secure products into place.
- 38.3.b Wood crate must be attached to a 48" x 40" wood pallet that meets Costco's Wood Pallet Requirements. (See 5.0 Structural Packaging Specifications)
- 38.3.c A header label is required to show assortment. Each item must be identified with a photo sticker or illustration on the spine.
- 38.3.d A plastic strap handle or reinforced hand cut out must be added to each item for accessibility to slide product in and out of pallet crate.



2.0 Unitized Pallet Requirements

2.1 Pallet Load Configuration Specifications:

(Supplemented)

- 2.1.5 Master display modules should be oriented on the pallet to sustain mechanical clamping on the 48" sides for layer distribution.

2.2 Unitized pallet requirements

(For products shipped in display-ready corrugated packaging.)

(Modified)

- 2.2.2 Pallet load height may exceed 52" when pallet loads are distributed in layer quantities.

(Modified)

- 2.2.4 4" deep pallet cap is not required on top of pallet.

(Modified)

- 2.2.6 Stretch wrap is not required on products unless specified by buyer.

(Modified)

- 2.2.7 Each pallet load must have a minimum of three straps to secure the product on the pallet. No metal strapping allowed. Straps must be placed over top of the corner posts to prevent damage to the master display modules.

(Modified)

- 2.2.8 Exposed front of master display modules may be turned toward center of pallet to protect product from damage in shipping.

(Supplemented)

- 2.2.9 Use of netting is restricted

3.0 Master Display Modules, Trays or Shipping Containers

3.1 Master Display Module and Tray Specifications:

(Supplemented)

- 3.1.12 MRA (Moisture Resistant Adhesive) is required for corrugated produce packaging that requires refrigeration.

(Supplemented)

- 3.1.13 Use of wax coated boxes are restricted except when shipping asparagus.

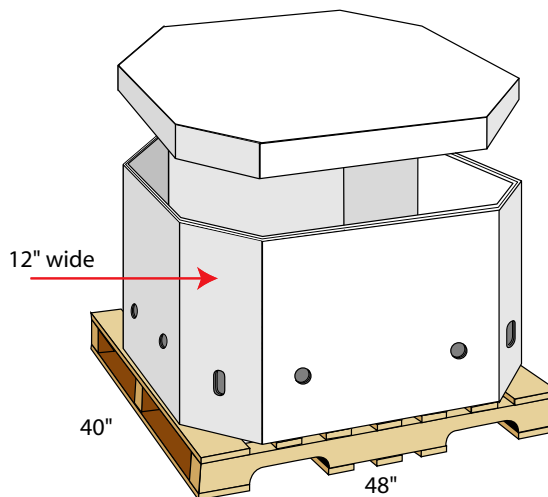
(Supplemented)

- 3.1.14 Stacking tabs may not exceed 3/4" height. Corrugate direction must be in a vertical orientation on a minimum of two sides. A minimum of two ply tabs are required, unless approved by the buyer.

3.3 Specifications for octagonal style bulk bin (when style is requested by buyer.):

- 3.3.1 Triple wall corrugated fiberboard is a minimum requirement for an octagonal bulk bin.

- 3.3.2 4" deep octagonal bulk bin lid with a minimum of 32 ECT C Flute is required on top of pallet load.



5.0 Trailer Loading

5.1 Trailer Loading Requirements:

- 5.1.1 Driver must pulp 50% of pallets per pick up. (Thermometer must be sterilized before pulping each item.)
- 5.1.2 Vendor must pulp 50% of pallets per pick up. (Thermometer must be sterilized before pulping each item.)
- 5.1.3 Trailer must be pre-cooled. Air temperature must be under 40 degrees Fahrenheit.
- 5.1.4 The following items must be checked prior to loading to ensure proper refrigeration: Air chute, walls, doors, floors, floor drains or any other conditions that exist that may affect proper refrigeration. A minimum of 8 inches air chute between the product and rear doors is required.
- 5.1.5 All cooler items must have a temperature recorder. The instrument number must be written on the bill of lading. Vendor at first pick up must install a temperature recorder. Note: On multiple pick-up loads, the vendor at the first pick-up and the last pick-up must each install a temperature recorder.
- 5.1.6 Product can only be loaded on U.S. #1 GMA or Chep pallets.
- 5.1.7 Product must be loaded correctly (pinwheeled) and cannot come in contact with inside walls.
- 5.1.8 Use Styrofoam blocks or airbags to secure loads. Always use load locks to secure the tail end of the trailer.