

5.0 PALLETS

REVISED 8/01/2010

Pallets are the platform for merchandise displays on our sales floor. Palletized overstock is edge-racked in overhead steel racking, on our sales floor. 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 DELIVERY PALLETS

7/30 2010 5.1.1 **As of January 2011, Costco accepts iGPS, PECO, and CHEP block pallets in North America.**

Exceptions are made for:

- Purpose-built pallets (see 5.3).
- Pallets shipping from regions of the world where CHEP, PECO, and iGPS cannot be supplied.
- Equivalent one-way block pallets that are a **better value** than renting from iGPS, PECO, and CHEP. (As of 2011, **stringer/GMA pallets are not acceptable.**)

General delivery pallets not rented from iGPS, PECO, or CHEP must be **equal to PECO/CHEP** (per a Detailed PDS[®] Report⁽¹⁾), are **not returned or exchanged** (see 5.1.3), and must be **pre-approved**. Email nlc@costco.com for guidance.

7/30 2010 5.1.2 For all other countries:

- See 5.2.3 for exports from North America.
- Contact each country's Costco buying team for all other deliveries.

7/30 2010 5.1.3 **We do not accept pallet exchange deliveries** (we do not return or exchange pallets for the ones being delivered).

7/30 2010 5.1.4 **Overland** shipments must arrive palletized.



PLASTIC
U.S. & Canada

800-884-0225
www.igps.net



Wood
U.S. & Canada

877-227-7326
www.pecopallet.com
sales@pecopallet.com



Wood
U.S., Canada, Mexico, UK, Australia
Some Overseas Import/Export

800-243-7255
www.chep.com
costcosupplier@chep.com



Wood

Import/Export
Purpose-Built
703-519-6104
www.nwpcanet.org

5.2 PALLETS AND PACKING MATERIALS SHIPPING INTERNATIONALLY

5.2.1 International shipments include deliveries to a domestic location but where the final destination is foreign. Shipments to Costco Laredo, and goods delivered to Costco's Mira Loma Depot but destined for overseas, are international shipments.

7/30 2010 5.2.2 **Overland** shipments between countries in North America must deliver on pallets (see 5.1).

Overseas imports into North America may deliver **unpalletized** if they comply with the requirements of our Packaging Specifications Imports Addendum. Shipments non-compliant with these requirements must deliver on pallets (see 5.1). Email nlc@costco.com for guidance.

7/30 2010 5.2.3 **Overseas exports from North America:**

- Ship exports to the **United Kingdom** and **Australia** on **CHEP model B1210A** block pallets.
- Ship exports to Japan, Korea, and Taiwan on block pallets equivalent to CHEP model B1210A. (CHEP, PECO, and iGPS cannot be exported to Japan, Korea, or Taiwan.)

See also 5.1.2. Email rgriese@costco.com for more guidance on exports from North America.

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- 5.2.4 **Wood shipping internationally must be treated, marked and documented in compliance with ISPM 15 regulations.** Packing materials must comply whether or not the goods are palletized. Repaired and remanufactured pallets and packing materials are to be retreated and remarked. (See www.ippc.int, www.aphis.usda.gov, or www.nwpc.com for more information.)
NOTE: Shipments between the continental U.S. and Canada are temporarily exempt (see www.inspection.gc.ca).

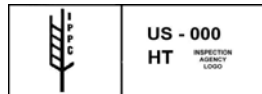
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Costco requires heat-treatment (we do not accept methyl bromide fumigation).

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Marks should be **heat-branded**, and cannot be red or orange. Marks that become illegible or transferrable render the pallet non-compliant with ISPM 15 (see 5.2.6).

The **ISPM 15 mark/stamp is required on both 48" sides** of pallets.



Example of an ISPM 15 mark for a heat-treated pallet.

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- 5.2.5 Pallets and packing materials must also meet additional import conditions required by individual countries.

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- 5.2.6 Suppliers are responsible for compliance with ISPM 15 and other import requirements, throughout the supply chain. This **includes import inspection in the destination country for goods containerized at a Costco depot.**

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5.3 PURPOSE-BUILT PALLETS

Purpose-built pallets vary in size or otherwise deviate from standards to support unusually sized or configured goods. Purpose-built pallets are difficult to handle and store while loaded with product. **Costco approves purpose-built pallets only when it is not possible to transport or handle goods safely and efficiently on pallets compliant with our general delivery requirements** (see 5.1).

Purpose-built pallets must be pre-approved. Email nlc@costco.com for guidance.

5.4 INSPECTION AT COSTCO RECEIVING

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- 5.4.1 Costco observes the damage inspection criteria published by the pooled/rental pallet providers we accept, with the additional provision that we must consider pallets sound and serviceable for use in our facilities based on our visual assessment (under load) at receiving. *Inspect pallets prior to shipping to ensure they will meet these criteria after sustaining the rigors of handling and transportation prior to reaching us.*
- 5.4.2 Non-compliance with our requirements results in refusal of the goods. **Suppliers are responsible for delivery refusals, regardless of who arranges or pays for transportation** (see our Standard Terms). (At Costco's discretion, goods may instead be restacked onto acceptable pallets at the supplier's expense.)
- 5.4.3 See 5.2.6 for additional import inspection responsibility.

⁽¹⁾ PDS[®] (Pallet Design System[®]) is industry-standard software that engineers pallets to conform to specific criteria. The NWPCA can help you find pallet manufacturers who use PDS[®]: www.nwpc.com 703-519-6104 palletinfo@palletcentral.com

5.0 PALLETS **ADDENDUM**: NON-RENTAL GENERAL DELIVERY - NORTH AMERICA

We reuse non-rental pallets – it's efficient, cost effective, and environmentally responsible. Therefore, all general delivery pallets must meet the same standards, regardless of the weight they support upon delivery to us.

Costco's mission, "To continually provide our members with quality goods and services at the lowest possible prices", and our expectation that suppliers consistently and voluntarily quote the lowest possible price on all items, **obligates our suppliers to source pallets compliant with our needs at the best value**. Before you purchase general delivery pallets, be certain that rental pallets are not available at a better value.

8/26 5.5 GENERAL DELIVERY PALLETS, NON-RENTAL, FOR NORTH AMERICA 2010

5.5.1 General delivery pallets not rented from iGPS, PECO, or CHEP:

- A) Must be equivalent to rental pallets (in performance and structure).
- B) Are not returned or exchanged (see 5.1.3).
- C) Must be a better value than renting.
- D) **Must be pre-approved by Costco** (see 5.5.9).

5.5.2 **Design pallets using PDS[®], and manufacture accordingly**. Pallets must be **machine built**.

PDS[®] (Pallet Design System[®]) is industry-standard software that engineers pallets to conform to specific criteria. The NWPCA can help you locate a resource that uses PDS[®]: www.nwpca.com 703-519-6104 palletinfo@palletcentral.com

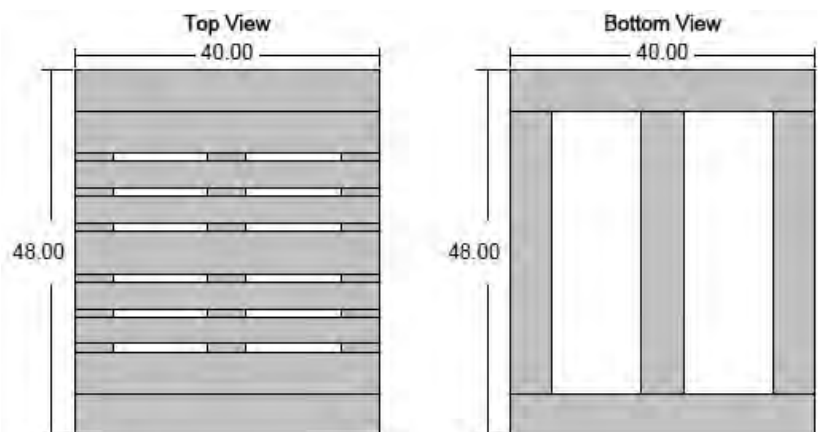
5.5.3 PDS[®] GENERAL SPECIFICATIONS:

A) Classification:

- **48"x40"**
- **Block-class**
- Double-face non-reversible
- Full 4-way
- Multiple-use/reusable
- New manufacture
- **Machine built**

B) Lumber:

- New (*not recycled*)
- Standard grade or better
- Softwood must be kiln-dried



5.5.4 COMPONENT LUMBER DIMENSIONS:

A) TOP DECK *deckboard/stringerboard style; flush*

- **11/16"** thick x 40" long
- Lead-edges consisting of (at least) 2 butted boards; lead-edge outermost boards 5.5" wide
- At least one other board 5.5" wide; all other boards at least 3.5" wide
- Interboard gap/deckboard span no more than **1.75"**; top-deck coverage at least **78%**

B) STRINGERS/STRINGERBOARDS

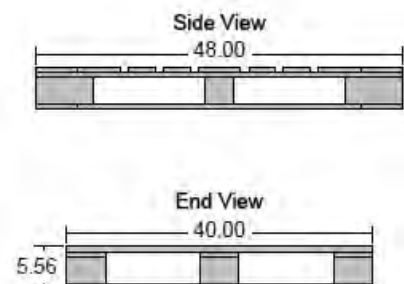
- **3** boards
- 5" to 5.5" wide; must be same width as blocks
- **11/16"** thick x 48" long

C) BOTTOM DECK **perimeter-base**/deckboard style

- **5** boards
- **5.5"** wide x **11/16"** thick; flush in length
- **chamfered** along all entry points (stop style; 0.34" deep)

D) BLOCKS

- 5" to 5.5" wide; must be same width as stringers/stringerboards
- **3.5"** tall
- **6** outer blocks **7.5"** long; **3** inner blocks **3.75"** long



5.0 PALLETS *ADDENDUM*: NON-RENTAL GENERAL DELIVERY - NORTH AMERICA

5.5.5 PDS[®] STRUCTURAL SPECIFICATIONS:

- A) Unit load type: Uniformly distributed – full pallet coverage
- B) Unit load weight variability: **49.5% load weight coefficient of variation and 2.15 max to avg load ratio**
- C) Support Condition:

Racked across width, **34" span**: Safe max load **3,250 lbs** or more; deflection at max load **.65"** or less

5.5.6 PDS[®] DURABILITY/SERVICE LIFE SPECIFICATIONS:

- A) Service environment conditions: **Average** handling and treatment; **heavy-duty loads**; dry environment
- B) Predicted cycles until first repair **6** or more; Predicted service life cycles 24 or more

5.5.7 Pallets (and packing materials) shipping **internationally** must comply with 5.2.

5.5.8 Pallets can have **no markings**, except those required by regulations (such as ISPM 15 – see 5.2).

5.5.9 **For approval**, email to nlc@costco.com:

- A) PDS[®] Report(s) that **address all our specifications**, and **include drawings**.
 - If pallets will be manufactured at multiple sites, or using different materials at different times, include a PDS[®] Report for each unique pallet (*each combination of materials that will constitute a pallet that will be shipped to us*).
 - PDS[®] Reports must be in U.S. customary units.
- B) An explanation of why the goods must ship on purchased, non-returnable, pallets.
- C) Your information:
 - Supplier name of record with Costco, Costco vendor number(s), and Costco department(s) for the goods that will ship on the pallets in the PDS[®] Report(s).
 - Your full contact information.

5.5.10 The inspection criteria in 5.4 applies to non-rental pallets.

Non-rental pallets not pre-approved by us are refused. Upon visual inspection at receiving, non-rental pallets that we consider are not equivalent to rental pallets, or that we consider may not have been manufactured to the specifications of the PDS[®] Report we approved, results in refusal of the goods (regardless of prior approval or acceptance).

Suppliers are responsible for delivery refusals, regardless of who arranges or pays for transportation (see 5.4.2).

