

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 **Costco accepts iGPS, PECO, and CHEP block pallets in North America, as of January 2011.**

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 block pallets that are a **better value** than iGPS, PECO, and CHEP.

General delivery pallets not from iGPS, PECO, or CHEP must be pre-approved as equal to PECO/CHEP (per a PDS[®] Report validating structure, performance, and durability) and are not returned/exchanged (see 5.1.3). **Stringer/GMA pallets are no longer acceptable.** Email nlc@costco.com or packaging@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.

  <p>- RENTAL POOL - Plastic U.S.A., Canada</p> <p>800-884-0225 info@igps.net www.igps.net</p>	  <p>- RENTAL POOL - Wood U.S.A., Canada, MEXICO</p> <p>877-227-7326 sales@pecopallet.com www.pecopallet.com</p>	  <p>- RENTAL POOL - Wood U.S.A., Canada, Mexico</p> <p>Export to UK, Australia Import from Europe</p> <p>800-243-7255 costcosupplier@chep.com www.chep.com</p>	  <p>PURCHASE Wood</p> <p>Purpose-Built (see 5.3) Export to Asia</p> <p>PDS[®] Sources & Reports 703-519-6104 info@palletcentral.com www.nwpc.com</p>
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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 overseas, are international shipments.

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

3/18 2011 **Overseas imports into North America** usually deliver without pallets; email nlc@costco.com for guidance. Pallets cannot be rented and exported from Asia. CHEP export pallets are available in most other areas of the world.

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

- Ship exports to the **United Kingdom** and **Australia** on CHEP model B1210A-HT block pallets.
- Ship exports to Japan, Korea, and Taiwan on block pallets compliant with our North American standards. CHEP, PECO, and iGPS pallets cannot be exported to Japan, Korea, or Taiwan. Email packaging@costco.com or rqriese@costco.com for details to have pallets built, or for more guidance on exports from North America. See also 5.1.2.

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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: In North America, pallets shipping in to or out of Mexico must comply with ISPM 15. **Wood pallets shipping between the U.S. and Canada are temporarily exempt from ISPM 15; the exemption is expected to expire in 2012.**

- 5.2.5 Costco requires ISPM 15 **heat-treatment** (we do not accept methyl bromide fumigation).

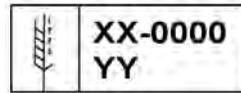
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EXCEPTION: Most exports from Asia should not include pallets (see 5.2.2). If pallets must be used, we accept fumigated pallets when heat-treated pallets cannot be sourced.

- 5.2.6 ISPM 15 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 5.2.9).

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



Example of an ISPM 15 mark for a pallet.

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

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- 5.2.9 **Wood pallets and packing materials shipping overseas must be containerized at a moisture content no greater than 19%.** *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 the moisture content from exceeding 19% prior to containerization.*

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- 5.2.10 Suppliers are responsible for compliance with ISPM 15, moisture content, 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 GENERAL DELIVERY PALLETS** (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 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.) See 5.2.10 for additional import inspection responsibility.