

PALLETS SUPPLEMENTAL REQUIREMENTS

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5.2 WHITEWOOD PURPOSE-BUILT (CUSTOM) PALLETS

*Purpose-built pallets add cost by reducing our operating efficiency. Therefore, purpose-built pallets are acceptable only when we determine they are a better alternative than general-use pallets.
To minimize total cost and risk of product damage, purpose-built pallets must be suitable for our end of the supply chain.*

5.2.1 REQUIRED APPROVALS:

- A **To deliver specific items on a purpose-built pallet.** [See 5.2.2 and contact nlc@costco.com for guidance.]
- B For the **pallet design** [see 5.2.3].
 - #1 Multiple items can use the same pallet. Each item must be approved to ship on a purpose-built pallet.
 - #2 We recommend obtaining approvals well in advance - prior to finalizing unit load design. [See also 5.2.3]
 - #3 Approvals must be renewed seasonally/annually to continue using the same pallet.

FEB 2013

5.2.2 SITUATIONS THAT JUSTIFY PURPOSE-BUILT PALLETS [Contact nlc@costco.com for additional guidance]

- A **Oversized goods**, which we usually require to ship on custom-sized pallets.
Pallets smaller than 48"x40" are rarely approved [see also 5.2.9-A & 5.2.9-C].
- B Costco requires that a **support or display structure (rack, bin, etc) be screwed/bolted to the pallet.**
 - #1 If the structure can be secured to a 48"x40" pallet with **cable/zipties or strapping**, use one of the pallets 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 the pallet must be custom sized, or secured using screws or bolts, use a Purpose-Built pallet.
Email safety@costco.com for guidance and feedback on the safety and stability of the structure and how it's attached.
- C The **pallet itself is included in full-pallet-quantity sales** to our Members. *Confirm with your Costco Buyer our intent to sell the pallet itself with the goods.*
- D The pallet companies in 5.1.1 will not supply pallets (due to potential contamination, volume of less than 50 pallets, etc).
- E **OverSEAS imports** that meet **ALL three conditions:** [see also 5.3.2]
 - #1 **The OVERSEAS CONTAINER is UNLOADED BY COSTCO.** [For imports unloaded at a non-Costco facility see 5.3.2-A]
 - #2 There's a compelling reason to palletize overseas.
 - #3 **CHEP will not supply North American export pallets to the overseas factory.**

DEC 2013

5.2.3 PALLETS MUST BE DESIGNED WITH PDS™ SOFTWARE, and manufactured accordingly.

*PDS™ (PALLET DESIGN SYSTEM™) is required to ensure design conformance with necessary safety and performance criteria.
See source pallets see 5.1.3-C.*

5.2.4 OBTAINING COSTCO APPROVAL

After any necessary details are worked out with us, send **one email per pallet** to nlc@costco.com that includes:

- A The **Costco Item Agreement(s)** presented to our Buyer. *(One pallet can support multiple items – see 5.2.1-B#1.)*
- B Reasons the goods must ship on the purpose-built pallet you're proposing [see 5.2.2].
- C **PDS™ REPORT(s)** [see 5.2.3]
 - #1 In U.S. customary units
 - #2 Demonstrate compliance with ALL specifications (**double-check** 5.2.7-A, 5.2.7-B#3, 5.2.9, 5.2.11).
 - #3 The **Costco item number and UNIT LOAD WEIGHT** must be on the report.
 - When multiple items use the same pallet, include each item number and its corresponding unit load weight.
 - **To use an already-approved pallet for additional item(s)**, add the Costco item number(s) and corresponding unit load weight(s) to the PDS™ Report and **resubmit** the Report to us. [See also 5.2.1-B#3]
 - #4 Include an **EMAIL** address for the **organization that produced the PDS™ Report.**
 - #5 Include the **company** name and **location** where the **pallets will be built**, and an **email** address for them.

5.2.5 See 5.4 regarding NON-COMPLIANCE AND VISUAL ASSESSMENT at Costco.

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5.2.6 PALLET CLASS

- A Pallets should be **no smaller than 48"x40"** [see also 5.2.9-C]. Oversized pallets can be no smaller than their unit load.
- B **48"x40"** pallets must be **stringer** construction. (For 48"x40" block pallets use 5.5 Block Pallet Specifications.)
- C Pallets made in **ASIA** must be **stringer** construction [see 5.2.2-D].
- D Stringer pallets must be deckboard style. Top deck board sizes and placement must support goods properly [5.4.3-A].
- E 48"x40" pallets should be flush. Wing design is acceptable for oversized stringer pallets up to 45" wide [see 5.2.7-B#3].
- F Must be Double-Faced. Block pallets must have a Perimeter Base.
- G Use Class can be **Limited Use**.

NOV 2013

5.2.7 ENTRY Must accommodate rider pallet trucks (PR), electric pallet jacks (EPJ), manual pallet jacks, and forklifts.

- A **BOTTOM DECK MUST BE CHAMFERED.** (Be certain this is reflected on the PDS™ Report.)
- B **Stringer pallets** must be **partial 4-way** entry.
 - #1 Stringers at least 3" in height.
 - #2 **Inside edge of notches no more than 12" from center.** Notches at least 1.25" deep (and at least 6" wide).
Use wide notch spacing on very long dimensions to enhance stability and structural integrity during lifting.
 - #3 **Minimum 3 stringers within 40" of each edge** (for stability on 41" forks). [see also 5.2.6-E]
 - #4 **No portion of a stringer between 3.5" and 15" from center** (to accommodate PR forks). [see also 5.2.6-A]
 - #5 Stringer placement must properly support uneven loads during handling, and storage [see 5.2.9].
- C Block pallets must be full 4-way entry:
 - #1 Blocks at least 3" tall. Blocks no more than 5.5" wide. Side and interior blocks no more than 5" long.
 - #2 Minimum 30" entry spread (interior distance between outer blocks, to accommodate width of forks).

OCT
2012

MAR 2012

MAY 2013

MAR 2012

5.2.8 MATERIALS

- A **New** softwood or hardwood lumber, of **Utility** grade or better. (No processed/engineered wood or composites.)
- B Softwood should be dried, preferably kiln-dried. For overseas shipments, see also 5.3.7 and 5.3.8.

5.2.9 RACKING AND STACKING

- A Pallets **MUST COMPLY WITH OUR RACKING REQUIREMENTS.** We rack overstock overhead on our sales floor, so racking strength is critical for safety. Our racking requirement includes oversized pallets.
- B Racked **across the shorter dimension (usually width), 34" spans**, 2 Beam Support.
- C Footprint **no smaller than 48"x40"** [see also 5.2.6-A]. (Rare exceptions are made for pallets as small as 40"x40".)
- D Design to a **USER SPECIFIED DEFLECTION LIMIT of .5"**.
 - #1 Design **48"x40"** pallets to a Maximum Load for Deflection Limit of **2,500 lbs.**
 - #2 Design **custom-sized** pallets to a Maximum Load for Deflection Limit of the **UNIT LOAD WEIGHT.**

PDS™ REPORTS must include USER SPECIFIED DEFLECTION LIMIT and MAXIMUM LOAD for DEFLECTION LIMIT

5.2.10 OTHER STRUCTURAL REQUIREMENTS

- A Stringer pallet bottom decks must have at least 2 interior/center deckboards.
- B Unit Load Weight Variability can be Low.
- C Lateral Collapse Resistance of stringer pallets must be at least Good.

5.2.11 DURABILITY (PDS™ Reports must include a Service Life Analysis)

- A Handling Environment Severity of Average Handling and Treatment.
- B Service Duty Rating:
 - #1 **48"x40"** pallets must be Medium-Duty.
 - #2 **Custom-sized** pallets based on unit load weight (per PDS™ guidelines).
- C **Predicted Cycles Until First Repair** must be at least 2.

5.2.12 PDS™ REPORT See 5.2.4-C

5. PALLETS

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For SAFETY and efficiency, our pallet standards are quite high, structurally and aesthetically.

Goods remain on their delivery pallets throughout Costco - to optimize overall cost, product damage, and efficiency.

Overstock is stored on delivery pallets, in open-span (no deck) pallet racking above selling stock.

At Costco Whses/stores, goods are displayed on their delivery pallets.

We encourage our suppliers to use the lightest weight, most durable pallets in the marketplace.

5.1 iGPS, PECO, OR CHEP US BLOCK PALLETS ARE REQUIRED THROUGHOUT NORTH AMERICA.

- a Over-land shipments must arrive palletized. This includes many imports – see 5.3.
- b Applies to all deliveries and locations – including Business Centers, E-commerce, and production and packaging sites.
- c Only when iGPS, PECO, and CHEP cannot be used may Costco approve alternate pallets – see 5.2.
- d We do not accept GMA #1/Grade A stringers, CHEP stringers, CHEP Europe, or corrugated/paperboard pallets.



costcosupplier@chep.com
800-243-7255



sales@pecopallet.com
877-227-7326



info@igps.net
800-884-0225

Within CANADA	CHEP <i>block pallets</i>	PECO	iGPS
Within USA	CHEP	PECO	iGPS
Within Mexico	CHEP	PECO	iGPS
BORDER Crossing: CANADA-USA	CHEP <i>block pallets</i>	PECO	iGPS
<i>heat-treatment <u>not</u> required at Canada-USA border</i>			
BORDER Crossing: MEXICO-USA	CHEP-HT	PECO-HT	iGPS
<i>CHEP & PECO require <u>heat-treatment</u> at Mexico-USA border</i>			
EXPORT FROM: CANADA, USA, MEXICO	CHEP-HT		
<i>use CHEP-HT for all overseas Costco locations</i>			
IMPORT TO: CANADA, USA, MEXICO	CHEP-HT		
<i>see 5.3 for more information</i>			

5.2 PURPOSE-BUILT (WHITE/BLOND/BROWN) PALLETS

5.2.1 **Must be approved in advance.** Approval involves a quality-assurance process.

5.2.2 Reasons Costco approves Purpose-Built pallets:

- a Oversized goods.
- b Display fixtures or bracing are secured to pallets with bolts, screws, or nails.
- c The pallet itself is included in the sale to our Member.
- d iGPS, PECO, and CHEP cannot supply pallets.
To minimize cost, we require iGPS, PECO, or CHEP whenever they can be used. (This includes HT/heat-treated pallets.)

5.2.3 For safety in our facilities pallets must be solid wood, and compliant with our comprehensive technical specifications.

- a Pallet providers must use PDS™ software. Providers can download our specs from the software licensor’s website.
- b Our specs explain the report pallet providers must furnish; suppliers email reports to packaging@costco.com.
Many pallet providers lack the software or expertise to design and build to our needs. To source Costco-approvable pallets, we suggest emailing Walk Global at packaging@walkglobal.com or 9BLOC at info@9BLOC.com.
- c Approvals are effective for one year. (A new approval must be processed to continue using Purpose-Built pallets.)
- d We do not participate in pallet exchange. We do not return pallets to suppliers/shippers.

5.2.4 For more information, or to submit a pallet for approval, email packaging@costco.com.

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5.3 IMPORTS AND EXPORTS

5.3.1 Shipments between Canada and USA

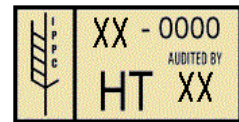
- a Must deliver on iGPS, PECO, or CHEP US pallets (*unless we pre-approved Purpose-Built pallets – see 5.2*).
- b (*HT/heat-treatment is not required at border-entry, in either direction.*)

5.3.2 Goods destined to cross the Mexico-USA border

- a Must deliver on iGPS, PECO-HT, or CHEP US-HT pallets (*unless we pre-approved Purpose-Built pallets – see 5.2*).
 - Includes goods destined to Mexico but delivered to USA Costco sites (Laredo or Mira Loma).
 - (*HT/heat-treatment is required at border-entry, in either direction.*)

5.3.3 Overseas imports to North America

- a If a NON-Costco facility unloads the containers:
 - Goods must deliver to Costco already palletized. There are three alternatives:
 - CHEP US-HT pallets are often available overseas.
 - Once goods are in North America, stack onto iGPS, PECO, or CHEP US pallets (prior to delivery to Costco).
 - Costco may pre-approve Purpose-Built pallets – see 5.2.
- b If Costco unloads containers:
 - We unload many containers without pallets. Contact our Buying team to explore this option.
 - To ship on pallets, there are two alternatives:
 - CHEP US-HT pallets may be available overseas.
 - Costco may pre-approve Purpose-Built HT pallets built overseas – see 5.2.
 - When containerized, pallet moisture content must be less than 19%.
 - At border-entry, ISPM 15 regulatory compliance is required. Costco requires HT/heat-treatment, and marks on both long sides of pallets.



Sample of heat treated stamp

5.3.4 Overseas exports from North America

- a Use CHEP US-HT pallets (*unless we pre-approved Purpose-Built pallets – see 5.2*).
- b When containerized, pallet moisture content cannot exceed 19%.
- c Applies to all overseas Costco destinations, regardless of where goods are containerized or destined.

5.4 INSPECTION, NON-COMPLIANCE, PALLET REJECTION

5.4.1 Pallets are visually assessed at delivery.

- a For safety, we must consider pallets to meet these criteria:
 - ✓ Dry & uncontaminated ✓ Sound & serviceable in our facilities ✓ Properly support their load
 - ✓ Will continue to meet these standards while the goods remain on the pallet
- b While we generally observe the inspection criteria of the brands in 5.1, all pallets are subject to our visual assessment.
- c Visual assessment applies at each delivery, regardless of prior approval or acceptance of the same or similar pallets.

5.4.2 We reject:

- a Pallets failing our visual assessment.
- b White/blond/brown pallets without, or that we consider do not conform to, our prior approval – see 5.2.
- c Pallets intended for export but lacking HT/heat-treatment – see 5.3.

5.4.3 Rejected pallets are refused delivery - or, at our discretion, we may transfer goods to acceptable pallets.

5.4.4 Suppliers are responsible for pallet rejection, including:

- a Delivery refusal, regardless of who arranges or pays for transportation – see our Standard Terms.
- b Border entry denial due to ISPM 15/HT non-compliance, regardless of importer-of-record – see 5.3.
- c Corrective actions. *Examples: Costco charges, arrangements and costs for a 3rd party to transfer goods to pallets in 5.1, transportation arrangements and costs, detention or demurrage, border entry fumigation, and import containers returned to origin (such as food that cannot be fumigated for border entry).*