PALLETS *SUPPLEMENTAL REQUIREMENTS*

5.2 WHITEWOOD PURPOSE-BUILT (CUSTOM) **PALLETS**

Originally Published August 2011

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]*

FEB 2013   #3 Approvals must be renewed seasonally/annually to continue using the same pallet.

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**.

DEC 2013   #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.

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.

PALLETS SUPPLEMENTAL REQUIREMENTS

5.2 WHITEWOOD PURPOSE-BUILT (CUSTOM) PALLETS

Originally Published August 2011

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]*. *(NOV 2013)*
- *-F* Must be Double-Faced. Block pallets must have a Perimeter Base.
- *-G* Use Class can be **Limited Use**.

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). *(OCT 2012)*
      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]* *(MAR 2012)*
    - *#4* **No portion of a stringer between 3.5" and 15" from center** *(to accommodate PR forks)*. *[see also 5.2.6-A]* *(MAY 2013)*
    - *#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 *(<u>interior</u> distance between <u>outer</u> blocks, to accommodate width of forks)*. *(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 <u>critical</u> for <u>safety</u>.* Our racking requirement includes <u>oversized</u> 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 <u>and</u> 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

For safety and efficiency, our pallet standards are quite high, structurally and aesthetically.
Goods are displayed and sold on their delivery pallets, to reduce cost and product damage, and improve efficiency.
Palletized overstock is stored above our sales floor in structural racking with no decking.
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** *[see 5.1.3]*.
- **-B** Includes IMPORTS and EXPORTS *[see 5.3]*, E-Commerce, and deliveries from contract packagers and logistics services.
- **-C** Includes all Costco facilities - Depots *(distribution centers)*; Warehouses *(stores)*; production and packaging sites, etc.

PECO PALLET	**iGPS** intelligent GLOBAL POOLING SYSTEMS	**CHEP** EQUIPMENT POOLING SYSTEMS
APPROX. 70 LBS *WOOD*	**48 LBS** *PLASTIC*	APPROX. 70 LBS *WOOD*
USA, CANADA, MEXICO	**USA, CANADA, MEXICO**	**USA, CANADA, MEXICO**
SOME *OVERSEAS IMPORTS*		SOME *OVERSEAS IMPORTS*
		ALL OVERSEAS EXPORTS (AUSTRALIA, UK, EUROPE, ASIA)
877-227-7326	800-884-0225	800-243-7255
sales@pecopallet.com	info@igps.net	costcosupplier@chep.com

OCT 2014

5.1.2 OverLAND deliveries must arrive palletized. This includes many imports *[see 5.3]*.

5.1.3 In limited circumstances, we approve alternative 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. *[For **imports** or **exports** see 5.3]*
  Purchasing compliant whitewood block pallets is twice (or more) the cost of rental pallets (PECO, iGPS, CHEP). Since purchasing is rarely a better value, whitewood block pallets are rarely acceptable. [see also -D]

APR 2015
- **-C** Email info@9BLOC.com to source pallet providers qualified to design and build to our specifications. All pallets except those named in 5.1.1 require prior written approval *[see 5.4]*.
- **-D** We do not participate in pallet exchange. This includes direct-Whs/store deliveries on whitewood, PECO, iGPS, or CHEP.

5.2 PURPOSE-BUILT (WHITEWOOD CUSTOM) PALLETS

Situations That Justify Purpose-Built Pallets:
- **-A** **Oversized goods**, which we usually require to ship on custom pallets. (We rarely approve pallets smaller than 40"x40".)
- **-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. *Use double the quantity of cable/zipties or strapping you would otherwise use (for added safety/security). Joints should be under or inside the display, must not protrude, and must not pose an injury or tripping hazard.*
  - **#2** If the pallet must be custom sized, or the structure must be secured using screws or bolts, see 5.1.3-C.
  - Email safety@costco.com *for guidance and feedback on the display structure and how it's secured.*
- **-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 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**.
  - **#2** There is a compelling reason to palletize overseas.
  - **#3** CHEP will not supply North American export pallets to your overseas factory.

Email nlc@costco.com if you think your goods qualify to use purpose-built pallets.

Few pallet providers are qualified to design and build to our safety-oriented specifications. To SOURCE PALLETS, see 5.1.3-C.

5. PALLETS

5.3 IMPORTS AND EXPORTS

5.3.1 **OVERLAND IMPORTS TO MEXICO, CANADA, OR U.S.** *(shipments across a national border within America)*

-A   Goods destined to **Mexico** (including deliveries to **Laredo**): Ship on pallets named in 5.1.1 AND that comply with 5.3.4.

-B   Goods to be sold in Costco Whses/stores in **Canada** or the **U.S.**: *(does NOT include goods destined overseas [see 5.3.3])*
   #1   Ship on pallets named in 5.1.1.
   #2   Shipments *between* Canada and the U.S. (in either direction) do NOT (yet) require compliance with 5.3.4.
   #3   Shipments *FROM* any country in the Americas except Canada or the U.S. must comply with 5.3.4.

-C   For custom (**oversized**, etc) pallets see 5.2 & 5.1.3-C.

-D   To purchase standard-sized (48"x40") whitewood pallets see 5.1.3.

5.3.2 **OVERSEAS IMPORTS *TO* NORTH AMERICA**

-A   If **CONTAINERS** are **UNLOADED** at a **NON-COSTCO SITE,** goods **must DELIVER PALLETIZED.**
   #1   Use contact info in 5.1.1 to source **CHEP B4840A-HT** pallets overseas (well in advance).
   #2   Unless goods are palletized overseas on CHEP, stack onto pallets named in 5.1.1 in North America.
   #3   For purpose-built (**oversized**, etc) pallets see 5.2.
   #4   To purchase standard-sized whitewood pallets see 5.1.3.

-B   If **COSTCO UNLOADS** the **OVERSEAS CONTAINERS**: *(applies regardless of which company is the Importer-Of-Record)*
   #1   Goods that are not oversized usually ship withOUT pallets. Email nlc@costco.com for guidance.
   #2   To ship on pallets, use contact info in 5.1.1 to source CHEP B4840A-HT pallets overseas, or see 5.1.3-C.
   #3   Goods that need custom (**oversized**, etc) pallets should ship overseas on purpose-built pallets. See 5.2 & 5.1.3-C.

5.3.3 **OVERSEAS EXPORTS *FROM* NORTH AMERICA**   *(Applies whether or not Costco containerizes the goods)*

-A   Deliveries to a Costco Depot destined overseas **must deliver to our North American Depot on export pallets**.

[OCT 2014]   -B   Use **CHEP B4840A-HT** *(heat-treated)* pallets for **ALL** overseas Costco locations. To purchase whitewood pallets, see 5.1.3.

-C   Goods that require custom (**oversized**, etc) pallets should arrive on purpose-built pallets. See 5.2 & 5.1.3-C.

5.3.4 **ISPM 15** compliance is required by government customs on all imported raw wood, including pallets. Costco requires **heat-treatment**., and **marks on BOTH 48" SIDES** (or both outer stringers *[see 5.2]*). *(see also www.ippc.int & 5.3.1-B#2)*

5.3.5 Overseas shipments cannot use pallets of engineered wood, paperboard, or plastic.

5.3.6 Pallets must comply with all other applicable import requirements of destination countries.

5.3.7 Wood pallets **SHIPPING OVERSEAS** must be **CONTAINERIZED at a MOISTURE CONTENT of 19% or less**. *Work with your pallet provider to understand how to prevent moisture content from exceeding 19% prior to containerization [see 5.3.8].*

5.3.8 Suppliers are responsible for issues relating to moisture content and ISPM 15 compliance (and other applicable regulations), throughout the supply chain. This includes 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]*

5.4.2 Pallets for export that require, but are non-compliant with, ISPM 15 are rejected. *[see 5.3.4, 5.3.1-A, & 5.3.3-A]*

5.4.3 Acceptance of all pallets is conditional on visual assessment, regardless of prior approval or acceptance of the same pallets:
   -A   We must consider pallets sound and serviceable and that they properly support their load. *This includes pallets 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 our approval *[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 whom arranges or pays for transportation *[see our Standard Terms]*. At our discretion, we may instead restack goods onto acceptable pallets, at our supplier's expense.

5.4.5 If we later conclude that pallets were shipped in non-compliant condition, we may return all remaining goods (or, at our discretion, restack them onto acceptable pallets). Our supplier is responsible for all associated costs.

[DEC 2013]