



Sent via electronic mail

Costco Wholesale Corporation
Attn: Ron Vachris and Sheri Flies
999 Lake Dr
Issaquah, WA 98027

May 7, 2026

Dear Mr. Vachris and Ms. Flies,

I am writing on behalf of the Natural Resources Defense Council (NRDC) regarding potential supply chain links between Costco and the Dryden Fibre Canada (DFC) mill in Dryden, Ontario, a facility whose pollution continues to cause devastating impacts to Grassy Narrows First Nation. Despite prior correspondence, Costco has not provided a substantive response or disclosure addressing these concerns. Given the seriousness of these human rights and environmental harms, NRDC is presenting additional evidence below and seeks Costco's prompt engagement. We again urge Costco to commit to ending any current sourcing from this mill, and to ensuring that the mill is excluded from its supply chain going forward, including through private-label or third-party arrangements.

Background on the Dryden Mill and Ongoing Mercury Crisis

As noted previously, between 1962 and 1970, the Dryden mill's chlor-alkali plant dumped approximately nine metric tons of untreated mercury into the Wabigoon River, resulting in the mercury concentrations of its fish reaching nearly 50 times the upper limit considered safe for human consumption.¹ Grassy Narrows First Nation is downstream from the Dryden mill, and fish from the Wabigoon River were a staple of the community's diet and livelihoods. Consuming this mercury-contaminated fish led to severe, multi-generational health problems in the Grassy Narrows' community that continue to this day. Researchers estimate that 90% of Grassy Narrows' population has symptoms of mercury poisoning, which include disease, tremors, neuromuscular effects, cognitive and motor dysfunction, conditions impacting learning, increased suicidality, and premature death.²

In August 2023, the Dryden mill was acquired by First Quality and began operating under the DFC name. In May 2024, a study from the University of Western Ontario found that the mill's ongoing effluent pollution has worsened mercury contamination in the Wabigoon River.³ While the mill's wastewater does not contain additional mercury, it does have high levels of sulfate and organic matter that have combined with the existing mercury in the river to create high levels of an even more potent mercury compound: methylmercury. The study estimates that the effects of the current effluent from the Dryden mill are doubling the mercury levels in Wabigoon River

fish.⁴ Mercury is a persistent pollutant, meaning it is incredibly difficult to remove from the environment once discharged. Once converted to methylmercury, it accumulates up the food chain and is passed from generation to generation through prenatal exposure.

The people of Grassy Narrows have called for the Dryden mill to be shut down because, despite the passage of 55 years since the mercury problem came to light, and multiple changes in ownership and production processes, the mill’s pollution continues to harm the health of Grassy Narrows First Nation, violating the community’s rights to clean water, health, their Indigenous way of life, and self-determination of their lands.⁵

Evidence of DFC and First Quality’s Integrated Supply Chain

The Dryden mill produces Northern Bleached Softwood Kraft (NBSK) pulp, a primary input used in tissue, paper towel, and absorbent hygiene products—the same product categories in which First Quality is a major manufacturer, including for private-label retail brands.⁶ Among large tissue producers, vertical integration between upstream pulp supply and downstream converting operations is a well-established strategy to secure fiber supply, control costs, and reduce market risk.⁷ First Quality itself has publicly described its acquisition of the Dryden mill as a strategic investment intended, in part, to ensure long-term “access and availability to high quality fiber supplies,” establishing a clear commercial rationale for DFC’s pulp to be used within First Quality’s manufacturing system.⁸

This conclusion is reinforced by trade and production data. In 2025, Ontario’s NBSK pulp production was limited to just two operating mills.⁹ During the same period, approximately half of Ontario’s pulp exports were shipped to Pennsylvania and South Carolina, with a smaller portion shipped to Georgia.¹⁰ Notably, five of First Quality’s seven tissue and hygiene product manufacturing facilities are located in these three states.¹¹ Considered alongside First Quality’s stated corporate strategy, these facts strongly support the conclusion that at least a portion of the pulp produced at the DFC mill is being consumed within First Quality’s downstream manufacturing operations, even as additional volumes may be sold to other purchasers.

Evidence Linking Costco to First Quality

Building on the demonstrated integration between DFC’s pulp production and First Quality’s manufacturing operations, NRDC has identified evidence suggesting that some Costco private-label products are manufactured by First Quality. This evidence includes:

- Media coverage from August 2023 in which a First Quality employee identifies Costco as a retailer supplied with toilet paper and paper towels produced at the company’s Lock Haven, Pennsylvania facility;¹²
- A Google review of First Quality’s Lock Haven plant featuring a photograph showing a truck loaded with Kirkland paper towels at the facility;¹³

- Photographs by NRDC of two packages of Kirkland paper towels that carry a PEFC license code (PEFC/29-31-321) associated with First Quality;¹⁴ and
- Reporting by Bloomberg News in 2024 indicating that First Quality was taking over production of Costco’s Kirkland-brand diapers.¹⁵

Taken together, this information establishes a credible and material likelihood that Costco is likely linked to First Quality’s upstream pulp sourcing, including pulp from the Dryden mill, through the potential manufacture of certain Costco private-label products by First Quality.

Potential Violations of Costco Policy

Costco’s “Human Rights Statement” commits the company to respect human rights throughout its supply chain, to prioritize salient risks, and to address social and environmental impacts on Indigenous Peoples, including impacts on the right to self-determination and the loss of livelihoods.¹⁶ It further affirms Costco’s responsibility to mitigate harm and provide access to remedy for individuals and communities affected by human rights violations.¹⁷ The decades-long mercury contamination impacting Grassy Narrows First Nation—severely undermining community health, economic well-being, and traditional ways of life—constitutes a serious adverse impact that falls squarely within these commitments.

Costco’s “Supplier Code of Conduct” reinforces these obligations, stating that “in manufacturing and processing operations, adverse impacts upon the community, environment and natural resources shall be minimized while safeguarding the health and safety of the public.”¹⁸ This policy further requires suppliers found to be in violation to present a detailed corrective action plan and makes clear that Costco may terminate its business relationship with a supplier or facility that fails to adequately remediate harm.¹⁹ Given the scale, persistence, and well-documented impacts of mercury pollution associated with the Dryden mill, any Costco sourcing linked to this facility appears to warrant enhanced due diligence, escalation, investigation, and remediation consistent with Costco’s stated policies and commitments.

Financial Risk Implications

Any ongoing commercial, procurement, or financial relationship with products containing pulp from the Dryden mill, while the mercury crisis remains unresolved, exposes companies to significant financial, operational, and reputational risk. Even indirect links within a supply chain warrant executive-level attention, given the growing instability and scrutiny surrounding the mill’s operations.

Reputational risk is acute for companies connected to pulp from the Dryden mill, given its central role in what is recognized as one of the worst environmental disasters in Canadian history.²⁰ The mercury poisoning affecting Grassy Narrows has been the subject of sustained

national and international media coverage, extensive academic research, and decades of high-profile advocacy led by community members.²¹ In September, community members and youth leaders are expected to again mobilize publicly in Toronto to demand accountability for the mercury crisis, and an end to ongoing pollution linked to the Dryden mill.²² In addition, companies associated with products containing pulp from the Dryden mill may be profiled in the upcoming edition of NRDC's *Issue with Tissue* report and scorecard series later this year, drawing increased attention from consumers, media, and marketplace stakeholders.²³ Taken together, these dynamics exemplify the sustained, high-visibility advocacy surrounding this issue that is likely to drive renewed media attention and public scrutiny of companies associated with the mill, creating ongoing exposure that can erode brand credibility, undermine stakeholder trust, and negatively affect market position.

Beyond reputational concerns, the unresolved mercury contamination and associated human rights impacts increase the likelihood of regulatory intervention, litigation, and further erosion of the mill's social license to operate. Grassy Narrows First Nation has pursued legal action and continues to actively explore and advance legal avenues.²⁴ Moreover, there is sustained public pressure on federal and provincial governments to strengthen oversight and impose corrective measures, including calls to shutter the facility altogether.²⁵ Such developments could materially disrupt, impose operational costs, or curtail operations at the Dryden mill, exposing downstream buyers to sudden supply interruptions, increased costs, and the need to secure alternative fiber or product sources on short notice in an already constrained NBSK pulp market.²⁶

Investors are also increasingly likely to evaluate companies based on environmental, social, and governance performance, including a focus on supply chain due diligence and exposure to human rights harms.²⁷ The mercury crisis affecting Grassy Narrows First Nation is widely cited as a leading example of environmental racism and unresolved industrial pollution, for which the community continues to demand justice and accountability.²⁸ Corporate links to the Dryden mill therefore present elevated risk of investor scrutiny, shareholder engagement, and potential divestment, as well as heightened concerns regarding governance, oversight, and risk management.²⁹

Taken together, these interconnected risks underscore the importance of enhanced due diligence, transparency, and corrective action to ensure that corporate sourcing decisions do not perpetuate or compound unresolved harms linked to the Dryden pulp mill.

Requested Actions

Accordingly, we request Costco's response to the evidence outlined above and renew our prior requests that Costco:

- 1) Disclose a complete list (with quantities) of any products that your company sells, buys, or uses—currently or within the past 10 years—that contain pulp from the Dryden mill.
- 2) If Costco is currently sourcing, selling, buying, or using products that contain pulp from the Dryden mill, commit to not renewing contracts for these products and removing this mill from its list of potential suppliers.
- 3) If Costco does not currently source, sell, buy, or use products that contain pulp from the Dryden mill, commit to avoiding such sourcing now and in the future.

We respectfully seek a written response to the evidence and requests outlined above by May 29, 2026. If Costco does not engage meaningfully on these issues, NRDC intends to make these findings public, together with details of Costco’s response—or lack thereof—and communicate them to concerned stakeholders. We welcome the opportunity to engage constructively with your company prior to taking that step.

Thank you for your attention to this urgent matter.

Sincerely,

Ashley Jordan
Corporate Campaign Advocate
Natural Resources Defense Council (NRDC)

¹ J.L. Lee et al., “Mercury Concentrations in Historic Autopsies from Grassy Narrows First Nation,” *Journal of the Neurological Sciences* 471 (April 15, 2025), <https://doi.org/10.1016/j.jns.2025.123429>; Donna Mergler et al., “The Contribution Across Three Generations of Mercury Exposure to Attempted Suicide Among Children and Youth in Grassy Narrows First Nation, Canada: An Intergenerational Analysis,” *Environmental Health Perspectives* 131, no. 7 (July 19, 2023), <https://doi.org/10.1289/EHP11301>.

² Jody Porter, “New Generation Suffering Mercury Poisoning at Grassy Narrows, Ont.,” CBC, September 20, 2016, <https://www.cbc.ca/news/canada/thunder-bay/grassy-narrows-new-japanese-report-1.3768030>; Aline Philibert et al., “Past Mercury Exposure and Current Symptoms of Nervous System Dysfunction in Adults of a First Nation Community (Canada),” *Environmental Health* 21, no. 34 (March 16, 2022), <http://dx.doi.org/10.1186/s12940-022-00838-y>; Mergler et al., “Mercury Exposure and Attempted Suicide,” World Health Organization, “Mercury,” October 24, 2024, <https://www.who.int/news-room/fact-sheets/detail/mercury-and-health>.

³ Brian Branfireun, *Riverbank Mercury Methylation Study Technical Report*, University of Western Ontario, May 14, 2024, https://www.ontariondp.ca/sites/default/files/2024_05_14_branfireun_riverbank_mercury_methylation_dynamics_study_technical_report_may_14_4854_4471_2127_1_1.pdf.

⁴ Ibid.

⁵ Jon Thompson, “‘We Want the Mill to Shut Down,’ Grassy Narrows First Nation to Ontario,” Ricochet Media, September 17, 2024, <https://ricochet.media/indigenous/we-want-the-mill-to-shut-down-grassy-narrows-first-nation-to-ontario/>; Morgan Severeid-Bocknek, “The Mercury Poisoning Grassy Narrows First Nation Was Supposed to Go Away Over Time. A New Study Reveals Why It’s Worse Than It Should Be,” *Toronto Star*, March 5, 2025, https://www.thestar.com/news/investigations/the-mercury-poisoning-grassy-narrows-first-nation-was-supposed-to-go-away-over-time-a/article_e3ee7be4-1841-11ef-a2c1-bbda5174813c.html.

⁶ Dryden Fibre Canada, “Dryden Fibre Canada,” accessed April 1, 2026, <https://www.drydenfibre.ca/>; First Quality, “Products & Services,” accessed April 1, 2026, <https://www.firstquality.com/products-and-services>.

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- ⁷ Qinming Zhang, *Wood Pulp Mills in Canada*, IBISWorld, September 2025, <https://www.ibisworld.com/canada/industry/wood-pulp-mills/5461/>.
- ⁸ Tissue Online, “First Quality Announces Purchase of Domtar’s Dryden Mill,” February 28, 2023, <https://tissueonlinenorthamerica.com/first-quality-announces-purchase-of-domtars-dryden-mill/>.
- ⁹ NRDC’s industry research indicates that only two Ontario pulp mills remain operational: DFC and Thunder Bay Pulp & Paper. The Dryden mill has a listed production capacity of 327,000 air dry metric tons (ADMT), and the Thunder Bay mill has a listed capacity of 330,000 ADMT. Domtar, “Dryden Mill,” 2023, <https://www.domtar.com/wp-content/uploads/2023/05/Dryden-Mill-Fact-Sheet.pdf>; Bryan Smith, “Capacity Curtailments Needed to Improve Global Pulp Market Conditions in 2026,” November, 12, 2025, <https://www.fastmarkets.com/insights/pulp-capacity-curtailments-global-pulp-market-2026/>.
- ¹⁰ According to Statistics Canada, Ontario exported a total of 458,729 ADMT of NBSK pulp (commodity code 4703.21.20) in 2025. Of this, 127,739 ADMT was exported to Pennsylvania, 99,865 ADMT was exported to South Carolina, and 1,056 ADMT was exported to Georgia. Statistics Canada, “Canadian International Merchandise Trade Web Application,” accessed April 1, 2026, <https://www150.statcan.gc.ca/n1/pub/71-607-x/71-607-x2021004-eng.htm>.
- ¹¹ First Quality’s manufacturing locations include one facility in Anderson, South Carolina; three facilities in Pennsylvania (Lewistown, Lock Haven, and McElhattan); and one facility in Macon, Georgia. First Quality, “Our Company,” accessed April 2, 2026, <https://www.firstquality.com/our-company>.
- ¹² Laura Jameson, “Kiwanis Hear from FQ Tissue About Operations, More,” The Lock Haven Express, August 23, 2023, <https://www.lockhaven.com/news/community/2023/08/kiwanis-hear-from-fq-tissue-about-operations-more/>.
- ¹³ Alex M, review of First Quality’s Lock Haven facility, May 2023, accessed April 17, 2026, https://www.google.com/maps/place/First+Quality+Tissue+Lock+Haven+PA/@41.1246401,-77.4580788,3a,75y,90t/data=!3m8!1e2!3m6!1sCIHM0ogKEICAgIDRm7mMqwE!2e10!3e12!6shhttps:%2F%2F1h3.googleusercontent.com%2Fgeoguc-cs%2FAMG9IET-Ax6A861p7DKxf9DjjwOR6Q8i_bPJt_uxDv3fxwGHCTpAqV4KJuX9ewYh27CwGlul-89yLnXMIxnHoxMkOohAWBXdA17C9LK-8up5aZrU-nr9UwB7qWwCfZ3hV8dfd8tctpH4dQ!7i1848!8i4000!4m1!8i1m9!3m8!1s0x89cef16f10baeedd:0x2f43cc2b1464ac08!2sFirst+Quality+Tissue+Lock+Haven+PA!8m2!3d41.1246401!4d-77.4580788!9m1!1b!16s%2F%2F1tfvj5f4!3m7!1s0x89cef16f10baeedd:0x2f43cc2b1464ac08!8m2!3d41.1246401!4d-77.4580788!9m1!1b!16s%2F%2F1tfvj5f4?entry=tту&g_ep=EgoyMDI2MDQxNC4wIKXMDSOASAFAQAw%3D%3D.
- ¹⁴ Ashley Jordan, four photographs of Kirkland paper towel packaging, April 10, 2026, NRDC internal shared folder, https://nrdc1-my.sharepoint.com/:f/g/personal/ajordan_nrdc_org/IgDwIRsUgiT9SLg5L9xYLQVuAYBqOTFYOO6STdatKmGK-ERQ?e=MN7Fix.
- ¹⁵ Leslie Patton, “Costco’s Popular Kirkland Baby Diapers Are Shifting Suppliers,” Bloomberg News, December 9, 2024, <https://www.bloomberg.com/news/articles/2024-12-09/costco-s-cost-popular-kirkland-baby-diapers-are-getting-a-new-supplier>.
- ¹⁶ Costco, “Human Rights Statement,” December 2023, <https://cdn.bfldr.com/U447IH35/as/r9f9cwpmpm8w5863vvcgw/costco-human-rights-statement>.
- ¹⁷ Ibid.
- ¹⁸ Costco, “Supplier Code of Conduct,” December 2023, <https://cdn.bfldr.com/U447IH35/as/9xpr5rhh7pbjxvtk5w8v7vcx/costco-supplier-code-of-conduct>.
- ¹⁹ Ibid.
- ²⁰ Aline Philibert et al., “Mercury Exposure and Premature Mortality in the Grassy Narrows First Nation Community: A Retrospective Longitudinal Study,” *The Lancet Planetary Health* 4, no. 4 (April 2020), [https://doi.org/10.1016/S2542-5196\(20\)30057-7](https://doi.org/10.1016/S2542-5196(20)30057-7). Jody Porter, “Children of the Poisoned River,” CBC, accessed April 20, 2026, <https://www.cbc.ca/news/2/interactives/children-of-the-poisoned-river-mercury-poisoning-grassy-narrows-first-nation/>.
- ²¹ Jillian Kestler-D’Amours and Megan O’Toole, “Everybody is a Fighter in Grassy: The Poisoned River and a First Nation’s Quest for Justice,” Al Jazeera, October 13, 2025, <https://www.aljazeera.com/news/longform/2025/10/13/everybody-is-a-fighter-inside-a-first-nations-quest-for-justice>; Amnesty International, “The Youth Activists Taking on One of Canada’s Worst Health Crises,” December 3, 2019, <https://www.amnesty.org/en/latest/campaigns/2019/12/the-youth-activists-taking-on-one-of-canadas-worst-health-crises/>; Suriya Ragu, “Grassy Narrows: A Profound Account of Environmental Injustice and Human Rights

Violations Affecting Indigenous Communities,” Human Rights Research Center, December 10, 2024, <https://www.humanrightsresearch.org/post/grassy-narrows-a-profound-account-of-environmental-injustice-and-human-rights-violations-affecting>.

²² Free Grassy, “Free Grassy Narrows,” accessed April 20, 2026, <https://freegrassy.net/>; Sarah Law, “Thousands Rally at Queen's Park to Demand Action on Mercury Poisoning in Grassy Narrows First Nation,” CBC, September 18, 2024, <https://www.cbc.ca/news/canada/thunder-bay/grassy-narrows-mercury-justice-rally-2024-1.7327222>.

²³ NRDC, “The Issue with Tissue,” December 3, 2025, <https://www.nrdc.org/resources/issue-tissue>.

²⁴ Sarah Law, “Grassy Narrows First Nation Files Lawsuit Against Ontario, Federal Governments Over Mercury Contamination,” CBC, June 4, 2024, <https://www.cbc.ca/news/canada/thunder-bay/grassy-narrows-first-nation-lawsuit-1.7223442>; Sarah Law, “Grassy Narrows First Nation Appeals to International Human Rights Commission Over Mercury Contamination,” CBC, July 10, 2024, <https://www.cbc.ca/news/canada/thunder-bay/grassy-narrows-first-nation-human-rights-commission-1.7258531>.

²⁵ Jessi Staniforth, “Grassy Narrows Leadership Seeks Mill Closure, Carney Apology,” APTN News, April 2, 2026, <https://www.aptnnews.ca/featured/grassy-narrows-leadership-seeks-mill-closure-carney-apology/>.

²⁶ Zhang, *Pulp Mills in Canada*.

²⁷ World Economic Forum, “ESG Investors Have a Responsibility to Respect Human Rights – Here’s How to Prevent ‘Rightswashing,’” July 9, 2024, <https://www.weforum.org/stories/2024/07/esg-investors-have-a-responsibility-to-respect-human-rights-but-here-s-how-to-prevent-rightswashing/>.

²⁸ Raven Trust, “Justice for Grassy Narrows,” accessed April 20, 2026, <https://raventrust.com/campaigns/grassy-narrows/>.

²⁹ Precedent exists for investor divestment related to Indigenous rights conflicts involving the Grassy Narrows First Nation. In 2009, Calvert Investments delisted Weyerhaeuser from the Calvert Social Index, citing unresolved conflicts with Grassy Narrows over clearcut logging on the Nation’s territory, requiring divestment by multiple Calvert funds. Earth Justice Initiative, “Calvert Divests Weyerhaeuser,” June 15, 2009, <https://freegrassy.net/wp-content/uploads/2010/03/Calvert-Divests-Weyerhaeuser-June-15-2009.pdf>.