



FACT SHEET: SUSTAINABILITY INDEX

Walmart set an ambitious goal in 2009 to work alongside The Sustainability Consortium (TSC) to develop measurement and reporting tools for product sustainability. Today more than 100 companies have joined TSC to create a more sustainable global supply chain, and Walmart is integrating TSC's tools into our business decisions to make the products we sell more sustainable.

The Walmart Foundation and Walmart increase commitment to scale sustainable products and strengthen global supply chain: Beijing, China – October 25, 2012

- **The Walmart Foundation is awarding a \$2 million grant to establish The Sustainability Consortium (TSC) in China and fund initial TSC research on supply chain sustainability.** TSC China will engage industries, universities and other experts to form a global network of leaders improving sustainability in consumer goods, and will provide tools and resources to help Chinese suppliers become more sustainable and competitive.

Building on the work of TSC, Walmart is announcing a series of commitments to make Walmart's supply chain in China, and around the world, more sustainable:

- **By the end of 2017, Walmart will buy 70 percent of the goods it sells in U.S. stores and in U.S. Sam's Clubs only from suppliers, in the United States, China and around the world who use the Index to evaluate and share the sustainability of their products.** This change will involve suppliers who produce goods in categories where the Index is available.
- **Beginning in 2013, Walmart will use The Sustainability Index to influence the design of its U.S. private brand products.**
- Walmart will change the way its key global sourcing merchants are evaluated so that sustainability becomes an even more important and integrated into their day-to-day jobs. **Beginning in 2013, these buyers will join our key buyers in Walmart U.S. and Sam's Club who already have specific sustainability objectives on their annual evaluations.**

What is The Sustainability Consortium (TSC)?

- TSC is a scientifically grounded, multi-stakeholder organization with a mission to develop measurement and reporting systems for product sustainability across consumer goods.
 - This first-of-its-kind consortium includes a membership of more than 100 organizations, including many of Walmart's largest competitors, such as Kroger, Tesco, Best Buy, Marks & Spencer and Royal Ahold, along with suppliers, academics, and nongovernmental organizations.
 - TSC continues to research leading issues, identify opportunities (hot spots) and develop Key Performance Indicators to establish the "common language" necessary to evaluate product and supplier sustainability performance, while driving innovation where it matters most.

How does Walmart work with TSC?

- Walmart contributes to TSC's development of these tools to improve product sustainability, including providing input for TSC:
 - Category Sustainability Profiles – summaries of the sustainability opportunities and hot spots in a product category (e.g. 'Computers').
 - Key Performance Indicators (KPIs) – metrics or questions that allow brands and suppliers to evaluate their own sustainability performance and engage their supply chains on sustainability improvements, as well as guide retailers on how to evaluate the sustainability of their suppliers and products.
- TSC will deliver Category Profiles and KPIs for nearly 200 product categories by the end of 2012 and expects to offer tools to cover 70 percent of the impacts of consumer goods by 2017.

What is the Sustainability Index?

- In 2009, Walmart committed to use the company's size and scale to improve sustainability across the consumer goods industry by developing a global Sustainability Index, a new retail standard for the 21st century. The goals of the Index were to:
 - Improve the sustainability of products for customers by accelerating adoption of best practices and driving product innovation;
 - Integrate sustainability into Walmart's core business;
 - Reduce cost, improve product quality and create a more resilient, efficient supply chain; and
 - Strengthen customer trust in Walmart and the brands it carries.

How has Walmart integrated TSC's work into its operations?

- Walmart is using The Consortium's tools to develop a Sustainability Index that evaluates a supplier's products against the hot spots and opportunities in their categories, and provides actionable recommendations for how suppliers can improve sustainability in their products.
- To populate the Index, Walmart uses The Consortium's KPIs, in the form of 15-20 questions for a given category, to collect data from suppliers about sustainability practices and innovations in their products and supply chains.
- The Index has rolled out to Walmart buyers in more than 100 major categories, and continues to roll out to additional categories in Walmart U.S. and Sam's Club as information from The Consortium becomes available.
- The Index and the Category Sustainability Profiles are being used by buyers in key business processes, including buying trips, line reviews, annual business planning and joint business planning processes.
- Walmart and Sam's Club buyers will include sustainability objectives on their performance evaluations beginning next year, and the Index and Category Sustainability Profiles will be the primary tools they use to help set those objectives.

What are examples of the success of the Sustainability Index?

- Walmart's laptop buyer used the Index to accelerate a recommended best practice to reduce the environmental impacts of laptops sold at Walmart and help customers save money.
 - Walmart's computer buyer used the Index and The Consortium's tools to understand that the biggest opportunity to reduce greenhouse gas emissions and save energy was by improving energy efficiency of laptop computers.
 - Using the Index, the buyer saw an opportunity to significantly reduce greenhouse gas emissions and save customers money on their energy bills by increasing advance power management of laptops.
 - Goals were then set to increase the number of laptops in the buyer's portfolio that integrated the advanced power management as the default setting. The buyer continues to work with suppliers to make this change in their products, such as decreasing the default time for inactivity before the laptop switches to "sleep" mode.
 - These improvements will increase Index scores in this category, save more than 200,000 tons of greenhouse gas emissions, and save customers money on their electricity bills..
- Sam's Club wine and beer buyers used the Index to drive innovation in their industry.
 - The Sam's Club adult beverage buyers sent out the Category Profile to suppliers along with a "call for innovation," seeking suppliers' best ideas for addressing the issues and opportunities outlined in the Profile.
 - The buyers and their leadership then hosted an Adult Beverage Sustainability Summit in September 2012, bringing together more than 100 participants from the industry.
 - During the summit, suppliers and buyers discussed the Sustainability Index results, the top three innovation ideas were presented, and participants discussed how they could accelerate the integration of those innovations across the industry.
- Walmart toy buyers recently used the Sustainability Index on "buy trips" to Chinese suppliers in order to review performance and develop sustainability improvement plans for products.
 - From TSC's category profiles, buyers recognized that energy used in toy manufacturing is a significant hot spot in the products' supply chain.
 - With this knowledge and the Sustainability Index in hand, buyers will be able to evaluate suppliers from China and around the world to see who is showing leadership in reducing energy use in toy manufacturing.
 - Buyers will use this type of information to develop annual sustainability objectives beginning next year.
- Walmart is using the information from the produce Index to help growers increase crop yields, reduce inputs, lower costs and strengthen sustainable farming practices.
 - Suppliers are using the Index to monitor their year-over-year progress in their sustainability efforts.

- Walmart's global food sourcing hubs are working with suppliers to share best practices that produce more food with fewer resources

How does the Sustainability Index benefit consumers?

- We believe that customers shouldn't have to choose between sustainable products and the products they love or can afford. The Index is allowing us to work on our customers' behalf to improve the sustainability of their favorite products. In the future, the Index will help us engage customers around sustainability, strengthening our customers' trust in us and the brands we carry.

Has Walmart completed commitments made at the 2008 China Sustainability Summit?

- Yes, Walmart has made significant progress toward commitments made during the 2008 Summit. Some examples are:

Global Supply Chain:

- Required vendors to certify compliance with local social and environmental regulations.
- Required direct-import suppliers and suppliers of private label and non-branded products provide the name and location of their factories.
- Ensured that nearly 95 percent of direct-import factories have received one of the two highest audit ratings for environmental and sourcing practices.
- Drove returns on global defects virtually out of existence.
- Worked with China suppliers to improve practices, resulting in 30 of 98 factories being removed from the Institute of Public and Environmental Affairs (IPE) blacklist.

Energy Efficiency:

- Improved energy efficiency by 20 percent or more at more than 195 factories as of July 2012, with expectations to reach the goal of improving energy efficiency by 20 percent or more in 200 factories by the end of 2012. Total energy saving from the program is 1,850 million kWh valued at US\$231 million, equivalent to reduction of 1.44 million metric tons of greenhouse gases.

Walmart China Retail:

- Designed and opened a 40 percent more energy-efficient prototype stores.
- Cut water use in stores by 50 percent and diverted more than half of waste from stores.
- Achieved an absolute reduction in GHG emissions of 11.3 percent compared to a 2005 baseline.
- Exceeded the 2010 goal for half of electronics on Walmart China shelves being RoHS (Restriction on Hazardous Substances) compliant.
- Exceeded 80 percent reduction goal in the use of plastic shopping bags, reaching 86 percent in 2011.
- Worked with the Ministries of Commerce and Agriculture to expand the Direct Farm program to include sourcing of fruit, vegetables, fish and rice.
- Completed the installation of a roof-mounted solar system at the Walmart Xiangmihu store in Shenzhen - the first non-state-owned solar power project under China's Golden Sun Solar Program.