

SUPPORTING MEASUREMENT AND TRANSPARENCY IN OUR VALUE CHAIN

From the time Sam Walton opened his first store, Walmart has advocated for customers, and we continue to do so. At the Net Impact conference in Philadelphia in November 2016, Walmart president and CEO Doug McMillon outlined a road map that will guide the company's role in society on critical issues over the next several years, pointing to a "new era of trust and transparency."

Today, an emphasis on measurement and transparency underpins all of our endeavors. Our Sustainability Index (see pg. 84) anchors these efforts. As Doug noted, customers today have high expectations for companies. They want to feel good about the products they buy and the companies they buy them from. They are asking for more visibility into how food is grown and products made, as well as the people and companies involved in those processes. Measurement and transparency are also critical to driving change. To transform supply chains upstream and downstream, our work must be grounded in data and approached systematically.

Similarly, whether it's sharing best practices or flagging hot spots in the supply chain, we believe that transparency among stakeholders is a powerful tool in driving collaboration and improvement. Today, we are working with others to help achieve large-scale change in our value chain. We're also working to gain visibility downstream, to our customers and beyond, and we're using that data to help drive change. We believe this is the right thing for our customers, the right thing for society and the planet, and the right thing for our business.

Our strategies in this area include the following:



1
Using the Sustainability Index with buyers and suppliers



2
Driving adoption of issue-specific measurement tools



3
Providing better product information to customers

Today, we are working with others to help achieve large-scale change in how products are made in our supply chains and in improving their sustainability.





Using the Sustainability Index with buyers and suppliers

To accelerate progress on identified sustainability hot spots throughout global supply chains, we share anonymous and aggregated Sustainability Index results with suppliers and encourage them to pursue efforts to address challenges.

After synthesizing Index results, we produce scorecards that highlight key hot spots by category. Suppliers can see how they rank relative to the field, and gain insight into improvement opportunities for each of the categories they supply. For example, suppliers of laundry detergent can see how they are progressing relative to all other suppliers on chemicals of concern; in beef, suppliers can see how they are doing relative to all other suppliers on animal welfare or emissions. A supplier can see their own data, their relative ranking and average scores.

Our buyers and sustainability teams use this data along with business metrics (such as customer insights, sales, cost, inventory turns) to work with suppliers on sustainability issues, exploring opportunities to make changes in ways that strengthen both sustainability and business performance. Walmart and suppliers take stock of progress each year through the Index.

The Sustainability Consortium (the owner of the Sustainability Index) continues to refine Index metrics to align with those developed by organizations such as CDP and SAC. Walmart has worked closely with TSC, suppliers and other retailers to drive such alignment. Simplification and standardization of sustainability metrics is a key prerequisite for transparency as well as collective action in product value chains.

THE SUSTAINABILITY INDEX

How big data leads to more sustainable products

1

Use the Sustainability Index

To map our product chains and gather information around crucial inputs, outputs, and processes throughout the value chain.

Raw materials



Manufacturing



Distribution



Retail



Consumer use



End of life



2

Analyze the information

to identify areas of opportunity with various stakeholders throughout the value chain

SAMPLE REPORTS INCLUDE:



Category evaluation: heat maps



Supplier evaluation: scorecard



Monitor impact areas: dashboards

3

Engage suppliers and other stakeholders

to collaborate on initiatives to improve priority areas like the climate smart agriculture or priority chemicals





Driving adoption of issue-specific measurement tools

Walmart is committed to leading the effort to make products better, more resilient and more sustainable, from factory to final use. Today however, supply chains are too long and too complex for any one player to drive the necessary improvements. Instead, change requires collective action. We are working with stakeholders all along the value chain to substantially improve sustainability. More consistent measurement and disclosure is essential to this effort. Timely, accurate data helps stakeholders to understand where the opportunities are and where collaboration can play a role in improving both product quality and the processes that bring products to market. In addition to the Sustainability Index, examples of our work include:

- **Measuring and reporting emissions.** Walmart uses the CDP Supply Chain emissions disclosure program as a way to track climate and energy risks and to identify opportunities for improvement. Walmart has worked with CDP (a not-for-profit formerly known as the Carbon Disclosure Project) to encourage our suppliers to begin measuring and reporting their greenhouse gas impact. Nearly 700 do so, collectively eliminating a reported 125 million tons of CO2 emissions between 2015 and 2016. (For Walmart's own CDP disclosure, see pg. 55.)
- **Building tools to trace Brazilian beef.** Walmart set a goal of monitoring 100 percent of the fresh beef from the Amazon sold in our stores in Brazil to source beef that does not contribute to deforestation. We created a geospatial monitoring system to help us track suppliers, volumes and farm locations and overlays that information with maps that show where deforestation is occurring. To meet our 2020 zero net deforestation goal, we will be expanding this program beyond the Amazon to other sensitive biomes in Brazil. We will also need to expand the scope of this program beyond the finishing ranch to cow/calf operations.



Providing better product information to customers

Customers are increasingly interested in knowing what goes into products and how products are made. We are working to improve our own disclosures, as well as industry standards and tools that enable product transparency.

- **Providing customers greater online access to ingredient information.** Walmart U.S.'s sustainable chemistry policy helps customers learn what's in personal care and household products like baby lotion, cleaners and pet shampoo. In 2015, we started listing ingredient information on Walmart.com and Samsclub.com for our private brands. We also asked national brand suppliers to list product ingredients on their own websites, so customers can make better-informed choices. We track the percentage of suppliers disclosing this information through our Sustainability Index. In FY2017, for the consumables business, suppliers representing 92.9 percent of Walmart sales and 94.6 percent of Sam's Club sales participated in the Sustainability Index, where surveys were available. For more information on how we provide more transparency into our products, see pg. 86.



- **Great For You icon for food in Walmart U.S. stores.** To help our customers easily identify more nutritious choices, we created a Great For You icon displayed on the item and described in detail on the Walmart website. Over 900 items across 90 categories qualify for this icon: whole foods such as fruits, vegetables, low-fat dairy, nuts, seeds, lean meats and whole grain products, as well as processed foods that contain such whole foods and fall below threshold levels of fats, sodium and added sugars.
- **Increasing visibility into the supply chain.** In collaboration with IBM, Walmart is conducting two pilots using blockchain technology to create a digitized industry standard for enhancing, accelerating and optimizing supply chain traceability from farm to fork. Enhanced traceability may allow industry and regulators to more quickly and accurately identify affected product during recalls and remove that product from store shelves and distribution centers. Greater visibility into our supply chain could also help cut down waste by reducing or eliminating supply chain delays. The goal of the project is to eventually be able to provide consumers with more up-to-date information about products they are buying, increasing transparency and trust in the food system.



CHALLENGES

Challenges in improving measurement and transparency in our value chains.

Product information standards

Today there are few industry standards regarding what product information to provide to customers, beyond government-mandated requirements such as ingredients and nutrition information in food or material mix in apparel. Even when companies agree on the key attributes to gather, they may use different units of measure such as pounds vs kilograms. These variations make it difficult to aggregate, exchange and compare information.

Data availability and integrity

Retailers rely on suppliers to provide accurate information about product ingredients, materials and production methods. Depending on the maturity of the farms, fisheries, factories and other suppliers along the supply chain, the quality and availability of data varies widely. While some data is audited across the supply chain, in other cases it is difficult to collect, monitor and validate data from a diverse and global supply chain. In addition, components and ingredients are often co-mingled as they move from producer to supplier and into production, making traceability difficult.