



# Governance

Walmart continually benchmarks ourselves against other companies and across industries, consults with corporate governance experts and engages with key stakeholders to strengthen our processes at Walmart. We're proud of our corporate governance policies and continue to strengthen our practices to meet changes in the landscape.

As part of the annual evaluation process, this year our Board of Directors engaged an external consultant to assist with the review of how to maximize the effectiveness of our Board. Among the changes resulting from this process is that we have split the Compensation, Nominating and Governance Committee (CNGC) into two separate and distinct committees, both of which are comprised entirely of independent directors:

- The Compensation and Management Development Committee (CMDC) evaluates the incentive- and equity-based compensation of the company's directors and executive officers and makes recommendations to the full Board regarding succession planning and retention practices for the CEO and executive management of the company. For more information go to: <http://stock.walmart.com/investors/corporate-governance/governance-documents/default.aspx>.
- The Nominating and Governance Committee oversees the annual evaluation process that is used as a tool for promoting the effectiveness of the Board and Board committees, and also assists with Board succession planning and the review of the Board's leadership structure. This committee is also responsible for reviewing and advising management regarding the company's charitable giving strategy and the company's social, community and sustainability initiatives. For more information go to: <http://stock.walmart.com/investors/corporate-governance/governance-documents/default.aspx>.

In our governance structure, the CEO is responsible for the general management, supervision and control of the business and general affairs of our company, including the execution of Board directives and resolutions. Our chairman presides over all meetings of the Board and shareholders, and advises and

counsels the CEO and other officers regarding our business and operations. In addition, our lead independent director actively participates in the review of Board and committee agendas, presides over the meetings of our outside and independent directors and performs additional duties described in our Corporate Governance Guidelines.

We believe that our structure of having a separate CEO and chairman is the most effective leadership configuration for Walmart shareholders. It allows our CEO to focus on managing our complex daily operations and our chairman to address matters related to the responsibilities of the Board. The Board held a total of five meetings during FY2017 to review significant developments affecting our company, engage in strategic planning and act on matters requiring Board approval.

We recognize the importance of Board independence. The majority of our directors are independent, in accordance with the requirements of the New York Stock Exchange. Our directors serve on one or more of the seven standing committees of the Board:

- (1) Audit Committee
- (2) Compensation and Management Development Committee (CMDC)
- (3) Executive Committee
- (4) Global Compensation Committee
- (5) Nominating and Governance Committee
- (6) Strategic Planning and Finance Committee
- (7) Technology and eCommerce Committee

- Each committee is governed by a written charter that outlines its specific roles in our company's governance, and each committee charter is available on our corporate website at <http://stock.walmart.com/investors/corporate-governance/governance-documents/default.aspx>.

Consistent with our commitment to participating in the political process in a thoughtful and compliant manner, the charter of the Nominating and Governance Committee requires the committee to review and advise management regarding the company's legislative affairs and public policy engagement strategy. Similarly, following its charter, the Nominating and Governance Committee is responsible for



reviewing and advising management regarding the company's charitable giving strategy and the company's social, community and sustainability initiatives. The company's charitable giving includes amounts donated to the Walmart Foundation, a separately incorporated 501(c)(3) that focuses its activities on serving communities where Walmart operates and sources.

Our Board regularly reviews our corporate governance policies and practices to identify areas where we can enhance our company's corporate governance profile. In addition to the recent split of the CNGC into two committees, in 2013 our Board increased the stock ownership guidelines applicable to our CEO and certain other executive officers of the company to further align the long-term interests of our executives and our shareholders. In addition, in 2014 the Board amended our bylaws to allow shareholders owning 10 percent or more of Walmart common stock to call a special shareholders' meeting.

The Board also amended our Corporate Governance Guidelines to more fully articulate (and, in some instances, expand) the role of lead independent director, who is elected annually by the independent members of the Board, and whose duties include, among other matters, presiding over executive sessions of our outside directors and independent directors. For more information about the duties of the lead independent director, please see our Corporate Governance Guidelines, available on our corporate website at [http://s2.q4cdn.com/056532643/files/doc\\_downloads/Gov\\_Docs/corporate-governance-guidelines.pdf](http://s2.q4cdn.com/056532643/files/doc_downloads/Gov_Docs/corporate-governance-guidelines.pdf).



# Ethics and compliance

As our business grows throughout the globe, Walmart continues to develop, refine and enhance our robust ethics and compliance program to keep pace with our growth. We continue to reach customers both online and in stores throughout the world, which presents the need for focused ethics and compliance practices. Our ethics and compliance program addresses 14 key areas of relevance to the changing retail sector, several of which have been noted in this report. Here we highlight several areas of critical importance, both to our business and our customers.

## Ethics and integrity

Our culture of ethics and integrity—the attitudes and conduct that help create an honest, fair and compliant workplace—defines who we are as a company and how we treat each other, our suppliers and our customers. We summarize our ethical

principles in the company's Statement of Ethics. Throughout their careers with the company, our associates are provided this and other resources to help them succeed and to promote and recognize ethical choices. These resources include:

- **Global helpline.** A series of global and local phone numbers where anyone can ask questions and report concerns 24 hours a day, seven days a week. The helpline is equipped to handle most local languages in all the retail markets where we operate.
- **WalmartEthics.com.** A website available in 14 languages and accessible globally where stakeholders can ask questions, read our Statement of Ethics, submit ethical concerns and follow up on previously reported concerns.
- **Global case management system.** A repository and system to manage ethics cases.
- **Global case management process.** A process used to encourage consistency across our global operations in the handling of any ethical concerns.
- **Integrity in action awards.** Our global recognition program celebrates associates who model integrity or encourage others to do so. Associates nominate candidates, and Walmart recognizes the award winners at our annual Shareholders meeting. In FY2017, Walmart honored 13 associates representing 12 different countries.



## Anti-corruption

Walmart has developed a leading anti-corruption program, and continues to focus on anti-corruption compliance by further enhancing our anti-corruption processes, systems and training. For a detailed look at our anti-corruption program, please see the 2017 Global Ethics & Compliance Program Report.

## Antitrust

In FY2017, we continued our efforts to increase associate antitrust awareness in order to further foster conditions that help protect competition, enable open markets and enhance productivity, innovation and value for our customers. These efforts include:

- Providing antitrust training, covering both global standards and market-specific rules, to associates worldwide on a risk basis;
- Providing consistent guidelines and other communication tools to associates, again taking a risk-based approach, addressing potential areas of antitrust risk; and
- Monitoring antitrust and competition law developments worldwide to update and enhance our ongoing antitrust compliance initiatives.

## Consumer protection

As we expand our business to serve customers in new and more convenient ways, we continue to implement additional consumer protection standards and controls. As one example, in FY2017, Walmart developed a system that automated the application of coupons and discounts to replace the manual coupons process in China. The new system has improved cashier efficiency and reduced the possibility of cashier error, while also helping us to provide our customers with proper discounts to which they are entitled. Our eCommerce platform is also leveraging technology and automation. In FY2017, an internally developed tool was launched as an additional control to mitigate the risk of restricted items from being sold on our website.

## Environmental compliance

Walmart strives to promote sustainable business practices within our operations and throughout our supply chain. Our environmental compliance programs guide our management of waste materials, including wastewater, stormwater, air emissions and recyclable materials. Our subject matter experts train associates throughout the world to comply with environmental regulations and implement best practices. In the U.S., environmental regulatory agencies inspect our facilities 2,000 times per year and Walmart contracts with third-party firms to do more than 30,000 environmental audits annually.

In recent years, Walmart has made significant efforts to recycle as much as possible, including lead-acid car batteries, lamps and bulbs, tires, automotive oil and spent cooking oils. Not only does this create additional revenue, but these recycling efforts also help preserve our natural resources.

## Anti-money laundering compliance

Walmart has continued to expand our anti-money laundering (AML) efforts by increasing AML resources to meet monitoring and reporting expectations. In FY2017, we invested in technological improvements to our AML monitoring and reporting capabilities in Mexico, Canada, Central America, Chile, South Africa and the United States. The AML team continues to support the expansion and growth of financial services by completing risk-based due diligence of financial products and services. During FY2017, we completed more than 1,500 AML audits in the U.S. with no fines, penalties and further investigations.

## Labor and employment compliance

With a distinctly different set of labor and employment laws in each country where we operate, it is important for our compliance team and human resources professionals to work together to maintain fair and consistent labor and employment practices. As we do this, we also focus on promoting a work environment that supports the needs of our associates and encourages growth opportunities.

Our goal is to increase operational and HR effectiveness in our business as needs evolve and new initiatives emerge. We remain committed to ensuring our labor and employment practices comply with all applicable laws and regulations, including U.S. immigration laws. In FY2017, we further enhanced our I-9 work permit system in the U.S. to gain even greater visibility into our compliance needs and to improve our reporting and escalation capabilities. These technological improvements have led to more consistent, accurate and timely execution of compliance-related tasks.

We value our people, and it is important to us to provide appropriate and reasonable accommodations for our associates with disabilities or other needs in full compliance with U.S. laws. In FY2017, we worked to bring more awareness and enhanced reinforcement of these employment compliance obligations to our U.S. associates in our stores and clubs. These materials are designed to help management better recognize requests for accommodation and to raise awareness of the resources available to guide U.S. associates through the accommodation process.

### Licenses and permits

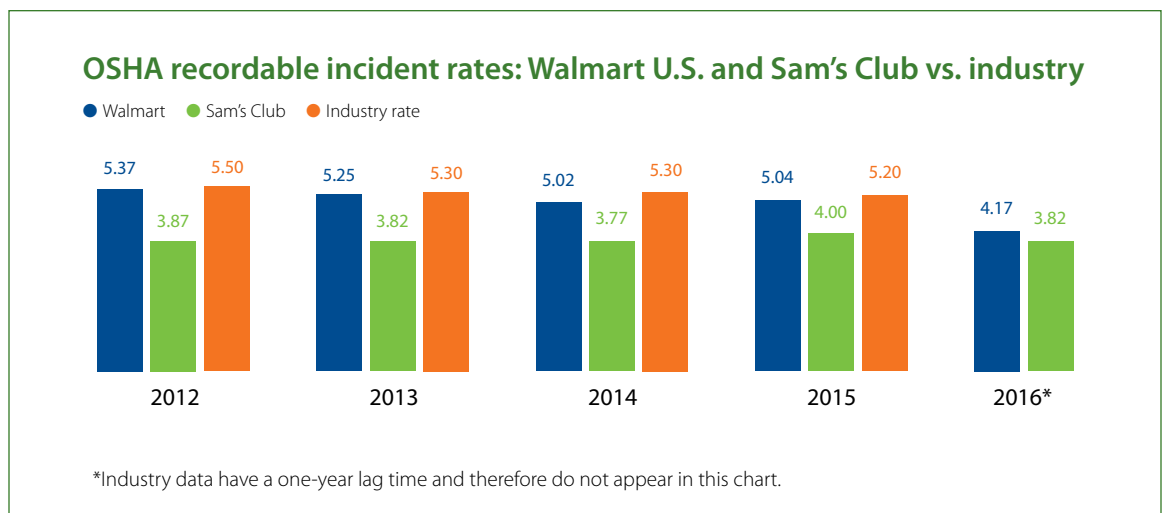
It is core to our values that we comply with applicable laws and regulations and our policies wherever we operate. Each year, Walmart’s licensing compliance group secures or maintains more than 209,000 licenses and permits globally to keep our business running and make products available to customers.

Licenses and permits affect the sale of many items. Obtaining the right licenses allows us to continue to meet the needs of our customers. To maintain business continuity, our licensing compliance team works to monitor legislative trends, evaluate our effectiveness and update associate training to help meet all legal requirements.

Using a proprietary, web-based license management system, our licensing compliance group procures and maintains required real estate, construction and operating licenses and permits. This includes licenses and permits relating to developing property, business facilities and distribution centers, owning and operating stores, selling merchandise and providing specific lines of service.

### Safety and OSHA Compliance

Our continuous efforts to improve associate and customer safety resulted in the launch of two major initiatives this year. The first, known as Total Safety, is divided into four key elements: safety, security, compliance and emergency management. By combining all facets of safety into a single program, Total Safety promotes consistent execution, enhances awareness, and improves the culture of safety in our facilities. The second program, the Safety Collaboration Council, is composed of leaders in the area of safety across our organization. The goal of the group is to share best practices, leverage talent and ensure the consistent delivery of world class safety programs to all facilities throughout the business.



## Privacy

Our founder Sam Walton reminded us that “a promise we make is a promise we keep,” and it’s our promise to customers that we respect the trust they place in us and the privacy of the information they share. With more of our customers engaging with our company online, Walmart continues to believe that maintaining a comprehensive online/offline customer privacy policy is fundamental to being a trusted retailer. Our full Walmart U.S. policy may be found at <https://corporate.walmart.com/privacy-security>.

## Product safety

Walmart remains committed to selling products that comply with applicable safety laws and regulations, as well as holding suppliers accountable to adhering to our standards. We build trust in the products we sell when we focus our attention on product safety and compliance along our supply chain.

Walmart continues to work with regulators to provide safety-related information and education to consumers. In FY2017, the Product Safety and Compliance team participated in national consumer education campaigns on topics identified as potential issues by federal agencies, such as swimming pool safety. The Product Safety and Compliance team also worked to set the stage for an expansion of our information and education efforts in 2017 by identifying opportunities to use in-store events and social media resources to communicate broadly with our customers.

Additionally, in FY2017 the Product Safety and Compliance team revised supplier requirements to permit select suppliers to submit product test reports from third-party labs, generated for other retailers, to Walmart for compliance verification instead of requiring duplicative testing. This new option can potentially save Walmart’s and Sam’s Club’s suppliers an estimated \$5.5 million a year while maintaining the same level of safety and compliance.

## Product recalls and reporting

In addition to traditional communication methods, the Product Safety and Compliance team leveraged Facebook in FY2017 to notify customers of product recalls. When a recall involved a product sold at Walmart or Sam’s Club, we worked to remove the product and implement sales blocks at the register

as we informed our customers and members. From October 2015, through September 2016, the Consumer Product Safety Commission (CPSC) conducted 428 consumer product recalls. Of these recalls, 56 affected Walmart and Sam’s Club locations. The CPSC assessed over \$30 million in civil penalties for the fiscal year. Walmart has not incurred any such penalties.

## Trade

As our markets continue to serve the needs of a customer with changing shopping behaviors, Walmart must also adapt our way of working to continue to support our markets. For trade, this change has been evident through the movement of goods to and from new territories, and also new supply chain operations to support eCommerce and cross-border functions. Additionally:

- During FY2017, we continued to improve our trade compliance programs by strengthening our internal procedures.
- In our International division, we conducted a third-party review of our customs entries across all our markets. The review focused on the accuracy of our classifications and valuations made to customs authorities, as well as the completeness of our record-keeping.

We are strengthening our Compliance with trade sanctions regulations through implementation of a number of new initiatives including:

- Developing supplier and associate guidelines and conducting training across all Walmart divisions through instructor-led sessions and online courses.
- Further strengthening our program through additional screening of new and existing vendors, as well as new country of origin requirements at the item setup stage.



# Political engagement

We take seriously our commitment to provide additional transparency into our political engagement. As a result, we included this important issue in our last three Global Responsibility Reports. In FY2014, the Walmart Board of Directors voted to amend the charter of the Compensation, Nominating and Governance Committee, adding to its responsibilities and obligations the review and oversight of the company's legislative affairs and public policy engagement strategy. Walmart's Executive Vice President of Corporate Affairs provides the committee with regular updates, at least annually, concerning the company's strategy and support of key U.S. policy objectives. The briefing includes information related to stakeholder relationships, elected official outreach, lobbying, political giving and our commitment to governance compliance.

Wal-Mart Stores, Inc. Political Action Committee for Responsible Government (WALPAC) is our primary vehicle for financially contributing to the political process in the United States. WALPAC is funded solely with voluntary contributions from eligible associates. To access information about federal contributions made from WALPAC in the U.S., please go to [www.fec.gov](http://www.fec.gov) and search the appropriate disclosure database for "Walmart." Walmart is a member of certain U.S.-based trade associations that the company believes can assist Walmart in achieving its long-term strategic objectives. Some of these U.S. trade associations engage in political activities, including the making of political contributions and lobbying. Walmart periodically reviews its memberships in such trade associations.

In addition, we have policies and oversight in place to comply with federal, state, and local laws and regulations relating to the reporting requirements of corporate political contributions made in the U.S. We frequently review our process to help file public reports accurately and appropriately. In FY2016, we made it easier for shareholders and other interested parties to understand details around our state lobbying efforts and related reported expenses. A state lobbying "report card" is posted on our corporate website providing our annual reported lobbying expense and links to state lobbying reports. In FY2017, we began updating the website to include the expenses reported for federal lobbying so that information is easier to access. The state and federal lobbying information is updated quarterly. Links to other publicly available information concerning our federal policy-oriented activities in the U.S., such as federal lobbying disclosure reports, which are maintained by the United States House of Representatives and the United States Senate, can be found at [lobbyingdisclosure.house.gov](http://lobbyingdisclosure.house.gov) and [http://senate.gov/legislative/Public\\_Disclosure/LDA\\_reports.html](http://senate.gov/legislative/Public_Disclosure/LDA_reports.html).

The above links, as well as our corporate government relations policy, are available on our Walmart corporate website, <http://corporate.walmart.com/policies>.



## Public policy

Walmart's mission is to save people money so they can live better, and customers around the world trust us to deliver on that promise. We pursue our mission by creating more economic opportunity for our customers and associates, while putting tools in place that can help grow our suppliers, partners and the economy more broadly. Through our store and e-commerce growth and presence in 28 countries, including the U.S., we work to help strengthen local communities in a way that is sustainable for the planet and people.

In 2015, we updated the structure of corporate affairs teams to enhance alignment between global government affairs and public policy. In addition to internal subject matter experts in the international, state, federal and local markets, we have dedicated policy experts focused on new and emerging issues such as food, supply chain, environmental, labor and e-commerce policy. This new structure will better enable us to streamline our work with governments, NGOs and international organizations to assist in shaping public policy that helps improve the lives of our customers, associates, workers in our supply chain and communities we serve. Walmart will continue to advocate for our customers while leading on issues that support industry efforts and our mission to create growth and opportunity for our customers and associates.



## Forward-looking statements

This report contains statements that are based on Walmart management's current expectations and beliefs. Walmart believes such statements are "forward-looking statements" as defined in, and are intended to enjoy the protection of the safe harbor for forward-looking statements provided by, the Private Securities Litigation Reform Act of 1995, as amended. Assumptions on which such forward-looking statements are based, including without limitation assumptions regarding Walmart's sustainability goals and programs, are also forward-looking statements. Walmart's results may differ materially from our projected results as the result of changes in circumstances, assumptions not being realized, or other risks, uncertainties and factors.

Such risks, uncertainties and factors also include the risks relating to Walmart's strategy, operations and performance and the financial, legal, tax, regulatory, compliance, reputational and other risks discussed in Walmart's most recent annual report on Form 10-K filed with the Securities and Exchange Commission. You should consider the forward-looking statements in this report in conjunction with that annual report on Form 10-K and Walmart's quarterly reports on Form 10-Q and current reports on Form 8-K filed with the SEC. Walmart urges you to consider all of the risks, uncertainties and factors identified above or discussed in such reports carefully in evaluating the forward-looking statements in this report.

Walmart cannot assure you that the results reflected or implied by any forward-looking statement will be realized or, even if substantially realized, that those results will have the forecasted or expected consequences and effects. The forward-looking statements made in this report are as of the date of this report, unless otherwise indicated. Walmart undertakes no obligation to update these forward-looking statements to reflect subsequent events or circumstances.





# Stakeholder perspectives

At Walmart, we continually engage stakeholders to understand their perspectives, improve the effectiveness and relevance of our initiatives, increase transparency and trust and collaborate on addressing business and societal challenges.



To sharpen our social and environmental priorities, programs and reporting, we heavily engage our stakeholders—customers, associates, suppliers, advisory councils, community leaders, grantees, other NGOs, government leaders and investors—in dialogues, working sessions and surveys about their perspectives on Walmart’s role in society. These include interviews and a 1,750-respondent survey conducted by Sustainalytics. The Sustainable Development Goals released by the United Nations also informed our discussions.

Although stakeholder perspectives varied in emphasis, there were consistent themes: While people acknowledge we live in a time of unprecedented global prosperity (in part due to retail and technological innovation, among many other factors), we also face unprecedented social and environmental challenges in meeting the needs of a growing world population.

Stakeholders reinforced their expectation that Walmart—as a leading retailer—should use its strengths in collaboration with others to help reshape social and environmental systems for the benefit of society, as well as business.

The accompanying exhibit summarizes stakeholder perspectives on societal challenges, the relevance they see for businesses like Walmart and how they suggest Walmart can help.

## Summary of stakeholder perspectives

Societal challenges		Business relevance	Perspective on how Walmart can help
<b>Environmental</b>			
<b>Climate</b>	Rising emissions and temperature	Cost: energy, carbon	Work to reduce energy intensity, adopt renewable energy, and reduce emissions not only in own operations, but also in supply chains, including with customers
<b>Natural resources</b>	Deforestation Water quality, quantity Land use, soil health Fish stocks, biodiversity	Supply security Cost structure Growth	Collaborate with suppliers and others to create more restorative supply chains in food and other commodities with less environmental impact
<b>Waste</b>	Landfill Resource depletion Pollution	Cost Revenue streams	Eliminate waste in own operations and help “close the loop” on waste throughout production and consumption
<b>Animal welfare</b>	Housing Pain management Antibiotics	Customer trust Cost	Encourage suppliers to promote “5 freedoms” in food production
<b>Social</b>			
<b>Inclusive economic mobility</b>	Cost of living Upward mobility/equality Jobs, GDP, tax base Women, diversity Access to markets	Associate engagement Productivity Growth Retention Reputation	Expand customer access to affordable food and other products through retail and e-commerce  Continue to provide opportunity for associates, with the wages, upskilling and other practices that support mobility  Support local manufacturing; help women-owned, diverse suppliers grow; support smallholder access to markets
<b>Worker dignity in supply chains</b>	Workplace safety Forced labor	Customer trust Supply security Reputation	Continue responsible sourcing practices and collaborate with others on initiatives that support healthier, safe work conditions, free from forced labor
<b>Food security</b>	Affordability and access Hunger Food/product safety Nutrition	Waste Cost Growth	Support continued development of safer, more affordable, accessible, healthier and sustainable food system  Help increase transparency into product ingredients and production methods, while advocating for better products
<b>Community resilience</b>	Belonging and inclusion Natural disasters Strength of community organizations	Customer trust Associate engagement Reputation Cost	Support local community causes through volunteerism and giving  Help communities prepare for and respond to disasters