Promoting good governance

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. To assist our Board of Directors, the Compensation, Nominating and Governance Committee (CNGC) oversees an annual evaluation process that is used as a tool for promoting the effectiveness of the Board and Board committees.

The CNGC is 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: stock.walmart.com/investors/corporate-governance.
From the beginning, integrity, opportunity, family and community, purpose and responsibility have served as our core strengths and will continue to drive our success moving forward.
As a global company, Walmart celebrates the diversity of our associate base while honoring the bond that unites us: a way of doing business that serves our customers, drives performance and creates a positive place for us to work.

Walmart’s four core beliefs are at the heart of our culture and guide us in how we perform our jobs:

**Service to our customers:** We’re here to serve customers, support each other and give to our local communities.

**Respect for the individual:** We value every associate, own the work we do and communicate by listening and sharing ideas.

**Strive for excellence:** We work as a team and model positive examples while we innovate and improve every day.

**Act with integrity:** We act with the highest level of integrity by being honest, fair and objective, while working to operate in compliance with all laws and our policies.

These principles – as relevant today as they were when our first store opened in 1962 – help define the Walmart culture and empower us to save people money so they can live better.

**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 one another, our suppliers and our customers. Today we summarize our ethical principles in the company’s Statement of Ethics. Throughout their careers with our company, we work to provide this and other relevant tools and resources to our associates to help them succeed and to promote and recognize ethical decision-making. These resources include:

**Walmartethics.com:** A website available in 14 languages and accessible globally, where stakeholders can ask questions, read our Statement of Ethics, submit ethics 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 we use to encourage consistency across our global operations in the handling of any ethical concerns raised by stakeholders.

**Global learning**

In 2015, our compliance and ethics teams expanded our electronic learning management system to all retail home office locations and some field locations. Through a combination of e-learning modules and instructor-led training sessions, the system improves our training and is designed to reduce risk. We will continue to roll it out to more field locations in 2016.
Recognizing integrity in action

It’s important to recognize our associates when they make ethical decisions so their example will inspire others. Our global recognition program, The Integrity in Action Award, celebrates associates who model integrity or encourage others to do so. Associates nominate and vote for candidates, and Walmart recognizes the award winners at the annual Shareholders’ meeting. Recipients in 2015 included:

**Sue Ryles, U.K.**
While processing orders for a customer, Sue noticed orders were coming through with duplicate items, which seemed suspicious. She immediately shared her concerns with a manager. She was able to give a description of the customer and, by doing so, set actions in motion to uncover an attempt at fraud.

**Lucas Bonokwakhe Mvelase, South Africa**
Lucas stood firm against an alleged external organization and provided information leading to the arrest of several of its employees for fraudulent activities within his store. As a result, he developed a stronger connection with his team and increased associate engagement.

**Ephie Smith, Canada**
A couple visited the Walmart Canada store where Ephie was working to purchase gift cards for their family. When the shoppers got to the register, they noticed their envelope of cash was missing. Ephie found the envelope and immediately turned it in. The store contacted the couple, who were elated. They offered Ephie a reward, which she humbly declined.

**Toru Imamura, Japan**
Toru is responsible for training associates. He found that the explanation of our company values was difficult for some associates to understand. In response, Toru developed a simple poster to help his fellow associates better understand how to act with integrity.

**Dongmei Sun, China**
While working with a supplier, Dongmei was offered a large sum of money in an attempt to gain favor with the company. She declined the offer and explained Walmart’s policies and culture to the supplier. Dongmei exemplifies how Walmart associates not only act with integrity, but model it for others.

**Pankaj Sharma, India**
Pankaj discovered that a fellow associate had been shoplifting. He reported the situation and assisted the investigation to help determine how much merchandise had been taken. The associate tried to inappropriately persuade Pankaj, but he stayed the course, assisting the investigation through its conclusion.

**Martha Calderón, Central America**
Martha became aware that some associates in her facility were stealing from the company. Martha reported the incident and followed up to make sure action was taken. Her courage to stand up for what was right makes her a great example of what it means to live and work with integrity.

**Maria Lenir Pereira, Brazil**
Maria was using the ATM in her store to make a withdrawal when it began to dispense additional money without her request. It was clear an attempt at fraud had previously been initiated at the ATM. Maria notified the store manager, the police and the bank to ensure that the money was safely returned.

**Francisco Romário Lemos da Silva, Global eCommerce, Brazil**
After returning from a business trip, Francisco discovered the company had reimbursed his expenses at almost 10 times more than the expected amount. He immediately informed Human Resources of the issue and returned the money. Francisco said that despite facing many difficulties in his life, he has always valued the integrity that his parents taught him. Once he noticed the mistake, he knew he had to return the funds.

**Emilio Machuca, Chile**
Emilio had just finished his break when another associate pointed out he could take extra time off because his supervisor was not there that day. Emilio informed the associate that it would not be fair to let someone else do his work for him. Emilio did the right thing: he respects the time he is scheduled to work, whether his supervisor is there or not.

**Jack Howard, U.S.**
A couple visited the store where Jack works and misplaced an expensive electronic device during their visit. Jack found the device in the parking lot and immediately turned it in. Because the device aided their everyday activities, they were overjoyed when they learned it had been found. Jack’s swift action shows how integrity helps our customers.

**Dante Donda, Argentina**
Dante was working in one of our stores when he came across a wallet with a large amount of cash inside. He immediately turned it in. The customer who lost the wallet wrote him a personal letter of gratitude, expressing her appreciation and acknowledgment of Dante’s integrity and character.
Ethics and compliance

With continued advances in technology opening new growth opportunities in the retail sector, Walmart has developed a robust, flexible ethics and compliance program to keep pace with this evolving landscape. Around the world, online shopping continues to grow in popularity, complementing the traditional shopping experience. This dual setting online and in-store reaches more customers every day, making it an exciting time to be in the retail business, but it also presents its own compliance challenges. 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 further highlight six areas of critical importance to both our business and to our stakeholders.

**Anti-corruption**

Walmart continues to enhance its processes and systems to help prevent corruption – that is, the use of improper payments or anything of value, including gifts or travel, to secure an improper business advantage from a government official or commercial party. In 2015 and early 2016, we published updated, unified anti-corruption compliance procedures to promote consistency across all Walmart markets. We continued to implement our Global Donations Management System (GDMS) to automate and simplify our donations processes. We established a program to audit a sample of our third-party intermediaries in high-risk markets. We expanded our anti-corruption continuous improvement program to monitor progress and identify enhancement opportunities. Furthermore, we continued to provide risk-based training to our associates and third-party intermediaries. In 2015 alone, we delivered anti-corruption training to more than 100,000 Walmart associates at all levels, and provided live, instructor-led training to more than 18,000 associates. To date, we have provided anti-corruption training to more than 1,300 external entities that interact on our behalf.

**Antitrust**

We continued our efforts to increase associate antitrust awareness to further foster conditions that help protect competition; enable open markets; and enhance productivity, innovation and value to customers. These efforts include providing risk-based antitrust training to associates and issuing consistent guidelines and other communication tools addressing potential antitrust risks. We also continue to monitor antitrust and competition law developments worldwide, thereby being in a position to update and enhance our ongoing 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. In 2015, we undertook a major initiative in our international markets to improve guidelines and processes for reviewing advertising claims. In response to this, Walmart Canada created a new and innovative process that streamlined the advertising review process.

We also focused on improving controls to help us price our products accurately. When new pricing laws are passed, the ethics and compliance team often has to work quickly with the business to keep us in compliance. For instance, in 2014 the U.K. government introduced legislation that set a minimum price on beer, wine and spirits, depending on the level of alcohol content. This variable pricing model made accurately pricing alcohol very difficult. In response, the Asda ethics and compliance team collaborated with the business to create an app with an algorithm that is designed to make it easier for store management to accurately price beer, wine and spirits and stay in compliance with this new law.

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. In March 2015, Walmart revised the online presentation of our U.S. privacy policy to make it more readable and user-friendly. Implementing industry-tested best practices, our website presents a layered version of the policy that permits readers to view a more accessible, condensed version. Readers can also expand each section of the condensed version to review more detailed explanations of our practices. In addition, we reviewed the text of the policy to determine that explanations of our practices and commitments are presented without unnecessarily complex terms. Our policy covers online and offline collection of data, as well as the use and sharing of our consumers’ personally identifiable information. The full policy may be found at: http://corporate.walmart.com/privacy-security/walmart-privacy-policy.

Trade

Global trade remains a complex and ever-changing environment. This necessitates strong standards and procedures in each Walmart market. In 2015 we focused on creating and documenting these procedures. We assessed our trade risks and sanction policies in each international market and developed new training programs designed to meet emerging needs. In U.S. exports we increased the quality of export filings by centralizing the classification function and implementing export systems at a number of Sam's Club locations. U.S. imports restructured their Customs Operations and Post Entry areas to further drive efficiencies and increase regulatory skill sets. During 2015 they achieved a 98 percent paperless clearance, and 98 percent of entries cleared on or before vessel arrival.
Labor and employment compliance

Labor and employment laws differ in each country where we operate. Our ethics and compliance team works with our human resource professionals to promote a work environment that supports the needs of our associates, encourages growth opportunities and creates fair and consistent labor and employment practices for every associate.

As business needs evolve and new initiatives emerge, we leverage our expertise to increase operational and HR effectiveness.

In 2015, we strengthened our labor and employment compliance efforts in the U.S. and international markets by:

- Enhancing our governance framework for the company’s immigration compliance program
- Working with the business to make necessary policy or process changes to enhance our programs
- Leveraging strong compliance programs and subject matter expertise across our markets to reduce labor fines
- Working with legal, HR and business leaders to develop and enhance standards and controls and to implement training, communication and monitoring on key labor compliance issues

This year we placed a higher priority on initiatives that put the customer and store associates first by:

- Implementing enhancements to the associate scheduling system
- Increasing associate understanding of customers with disabilities
- Collaborating with our human resource business associates to create efficient solutions
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 2013 and 2014 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.

Walmart, 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 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 2015 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 2016 we will also provide a statement related to 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 and 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.
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.