



Supporting the safety and dignity of workers everywhere

Global economic development has helped lift millions of people out of poverty. Yet the well-being of people who produce goods for the world's supply chains can be overlooked. In some instances, workers – especially those in emerging markets – have little expectation of finding decent work where even basic safety standards are applied. These workers may be subjected to poor air quality, lack of emergency protocols, excessive overtime, delayed compensation or even forced labor.

Walmart believes that all people deserve safe, healthy working conditions that are free from coercion. Though we are one actor among many, Walmart recognizes these risks and the importance of supporting workers in our global supply chain. Through our Responsible Sourcing program and collaborative initiatives, we're working to promote dignity and respect for the men and women who make the products we sell. We set high standards of worker dignity and well-being in our own operations and promote responsible sourcing practices throughout our global supply chain. We are also working collaboratively with other companies, governments and nonprofit organizations to help improve working conditions and employment opportunities for workers around the world.

Improving the safety, freedom and livelihoods of workers not only benefits them, their families and communities, but also, it strengthens our business, too. When workers have what they need, product supplies remain stable and quality is often improved. And customers want products that are sustainable not only for the environment, but also, for the people who made them.

Walmart supports the safety and dignity of workers through two main strategies:

- Promoting responsible sourcing practices in the global supply chain
- Focusing on safety, health and environmental compliance in our operations



Sourcing



Compliance

Supporting the safety and dignity of workers everywhere: Progress against commitments

As of Fiscal Year End 2016

Initiative	Commitment	Progress
Promoting responsible sourcing practices in the global supply chain	Provide supply chain capacity-building training to suppliers and facility managers.	Launched our Responsible Sourcing Academy in 2015, which provides suppliers and facility management with tools and training opportunities designed to influence continuous and sustainable improvement.
	Collaborate with other organizations to empower workers in the Bangladesh ready-made garment industry.	Collaborated with the Alliance for Bangladesh Worker Safety – of which Walmart is a founding member – to train more than 1.1 million factory employees on basic fire safety and to offer an anonymous helpline for workers in more than 400 factories in Bangladesh.
	Collaborate with other organizations to address forced labor and human trafficking risks in the global supply chain.	<p>Walmart participated in the Consumer Goods Forum, which agreed in January 2016 to address forced labor as an industry priority.</p> <p>Over the past two years, the Walmart Foundation has supported International Justice Mission, Polaris and Issara Institute, organizations that work to increase human dignity in the supply chain.</p>

Taking a risk-based approach to auditing

In early 2015, we implemented a risk-based approach to auditing that focuses on areas posing the highest potential risks to social, safety and environmental compliance. Currently, our approach includes a consideration of country governance risk factors to assess potential facility risk. Using the Worldwide Governance Indicators from the World Bank, we consider how factors like government effectiveness, rule of law, control of corruption and government stability affect the risk of noncompliance in certain facilities in a particular country. In the future, we may evolve our risk-based approach to include additional factors such as industry- or supplier-specific risks.

Sourcing and compliance



Responsible sourcing in the global supply chain

Walmart values the men and women around the world who work to produce the products our customers want. We expect our suppliers and their facility managers to provide workers with safe and healthy employment conditions.

Through our Responsible Sourcing program, we're striving to create meaningful, sustainable changes for workers in our global supply chain. We focus our efforts in areas such as:

- Setting strong expectations for suppliers

- Establishing accountability through audits and other tools
- Building capacity within the supply chain through training and worker well-being programs
- Collaborating with industry stakeholders to promote supply chain responsibility

Setting expectations for suppliers

We consider the safety and well-being of workers across our supply chain a high priority. Walmart provides our suppliers with our standards for suppliers as well as a standards manual to make clear our fundamental expectations regarding, among other things, the treatment and safety of workers and the suppliers' impact on the

environment. We expect compliance with these standards from our suppliers and their facilities. Walmart's standards for suppliers are available online at: <http://corporate.walmart.com/sourcing-standards-resources>.

We expect suppliers to display our standards in all facilities falling within the scope of our Responsible Sourcing program. The standards for suppliers must be displayed in the language spoken by the majority of workers, as we want the workers themselves to know our expectations of suppliers and facility management. We also require these facilities to display a toll-free phone number, email address and website where workers can anonymously report concerns in their local language. Walmart uses these reports to inform potential investigations and auditing decisions.

Establishing accountability through audits and other tools

All facilities within the scope of Walmart's Responsible Sourcing program must be disclosed to us and available for an audit. If we find that a supplier is producing merchandise in, or subcontracting to, an unauthorized facility, that

supplier may lose the ability to do business with Walmart.

We use detailed social, safety and environmental compliance audits to evaluate the practices of facilities within the scope of Walmart's Responsible Sourcing program, including whether:

- Workers are properly paid for all labor hours
- All labor is voluntary
- Facilities comply with all child labor laws and standards
- Working hours are not excessive and are consistent with local laws or regulations
- Facilities meet health and safety standards

Audit results are assigned a color rating based on the type and severity of issues found, and facilities can be re-audited on a schedule based on those ratings. We use these ratings to help make decisions regarding our use of particular suppliers and facilities. Facility audit results are sent to suppliers using that facility, and it is the suppliers' responsibility to work with facilities to remediate audit findings.

Building supply chain capacity

Although primary responsibility for compliance with our standards rests with our suppliers, we recognize our potential to positively influence the global supply chain by leveraging our size and scale. Our Responsible Sourcing Academy aims to do just that by providing suppliers and facilities with tools and training opportunities designed to influence continuous and sustainable improvement. The Academy currently includes the following programs:

- **Responsible Sourcing Audit Orientation** – provides new suppliers and facilities with training in social and environmental compliance; fire, chemical and machine safety; dormitory and canteen standards; region-specific trends; and more.
- **Violation Correction Training** – addresses common trends related to social and environmental compliance, offering root-cause analysis and methods to address those issues in locally relevant ways, and culminating in the development of plans to remedy potential violations.
- **Orange School Program** – trains facility management to proactively identify

noncompliance issues and develop a systematic approach to continuous improvement using root-cause analysis methodology and procedures.

- **Supply Chain Forum** – invites suppliers, facilities and stakeholders from similar sourcing regions to discuss relevant issues and share best practices.

We'll continue to evaluate and evolve the Responsible Sourcing Academy to meet the changing needs of our suppliers and other stakeholders.

Empowering and developing workers

Alongside these training efforts, Walmart and the Walmart Foundation are developing programs to support the well-being of workers in the global supply chain. We believe all workers, no matter where they live, should work in a safe environment and have the opportunity to grow. In addition to the training we're doing for women workers around the world (see pg. 33), we're also focused on the issues of forced labor and human trafficking.



Collaborating with industry stakeholders to promote supply chain sustainability

We work to promote a responsible supply chain by identifying areas where we can leverage our scale and assist our suppliers in making a positive and lasting impact on the people and communities where they operate. But we can't do it alone; many issues in consumer goods supply chains cannot be solved through the actions of any one company.

While we continue to manage supply chain risk through audits, programs and training, we're also collaborating to address complex, systemic issues that affect the entire sector. We believe this more collaborative approach will create greater impact in our supply chain, and do so more effectively. By joining forces with

industry stakeholders, nonprofit organizations, governments and other partners, we are working to improve transparency, empower workers and drive positive change throughout supply chains.

Improving labor conditions in the produce supply chain

In agriculture, we work with suppliers and their growers to help them better understand Walmart's expectations and improve conditions for workers. Through collaboration with other stakeholders, we are striving to develop mechanisms to improve the safety and well-being of growers and farm workers, who typically fall outside the scope of Walmart's and other retailers' audit programs.

For example, in 2014 Walmart joined the Fair Food Program,

Sourcing and compliance



Polaris: Fighting human trafficking in Mexico

The U.S. State Department has identified Mexico as a source and destination for people in forced labor. In this environment, the nonprofit organization Polaris works to disrupt human trafficking by equipping key stakeholders and communities to identify, map and eliminate trafficking networks. They also use targeted campaigns to address and prevent human trafficking, and effectively respond to its victims. The Walmart Foundation awarded Polaris a grant of nearly \$1 million to help the organization further its efforts to end modern slavery in Mexico. The grant will be used to build the capacity of a human trafficking hotline within Mexico and create a thorough assessment of stakeholders and policies that have direct impact on the issue.

a unique partnership among farmworkers, Florida tomato growers and participating retail buyers organized by the Coalition of Immokalee Workers (CIW). The Fair Food Program encourages humane working conditions for the workers who pick fruits and vegetables on participating farms. Our work with the CIW includes:

- Working to expand the Fair Foods Program beyond Florida to the tomatoes we purchase from participating Florida-based growers with operations outside the state
- Committing to using suppliers who best reflect the principles of the Fair Food Program
- Exploring whether the Fair Food Program can be expanded to crops beyond tomatoes in our produce supply chain

In 2015, we also began testing a program with a select group of tomato growers in Mexico. In this project, we are assessing the viability of combining tools, such as grower self-assessments, supplier capability assessments and verification audits, to better manage risk at the grower level. We will continue to assess test program results as we work to understand how best to address potential risks upstream in our supply chain.

Addressing human trafficking and forced labor

Perhaps the most marginalized workers in globalized supply chains are those who are forced to work, coerced to accept unsafe conditions or abuse, or are subject to other forms of exploitation. For workers who find themselves in exploitative conditions, the very act of trying to earn a living can potentially put them in physical and emotional danger and lead to ongoing economic uncertainty and hardship. That's why we are working with suppliers in high-risk categories to reinforce our standards and expectations and training them on effective management systems. We're also asking key shrimp suppliers to map their supply chains and encouraging them to adopt controlled supply chains, where the supplier can verify the origin of the materials and labor that go into a finished product, as well as the conditions under which the product was produced at every stage. Since human trafficking and forced labor affect many industries, addressing them requires coordination between business, government and nonprofit organizations. At Walmart, we're working to form coalitions and engaging with governments to develop solutions to confront these challenges in the global supply chain through collective action.

In late 2015, one of the industry associations we support – the Consumer Goods Forum (CGF) – reached a consensus to address forced labor as an industry priority. The CGF brings together more than 400 retailers, manufacturers and service providers in the consumer goods industry to create positive change across the retail industry. Walmart's Responsible Sourcing representatives on CGF's Social Sustainability Committee helped drive this industry-wide priority.

We're also collaborating with International Justice Mission (IJM), an organization that works to fight human trafficking. Asda, Walmart's business in the U.K., sponsors Stronger Together, a multistakeholder initiative aiming to reduce the risk of human trafficking, forced labor and other hidden third-party exploitation of workers in U.K. companies' supply chains. Stronger Together provides downloadable resources for employers, labor providers, workers and worker representatives. And finally, Walmart is working with the Shrimp Sustainable Supply Chain Task Force, an initiative established by a group of Thai seafood suppliers that works to improve standards and compliance at all levels of the shrimp supply chain.

Creating safer working conditions in the ready-made garment industry

Walmart is working toward meaningful and sustainable reform of the ready-made garment industry. We are a founding member of the Alliance for Bangladesh Worker Safety, a group of brands and retailers seeking to create safer working conditions for men and women in the ready-made garment industry in Bangladesh. According to the Alliance's second annual report, published in September 2015, it has:

- Trained more than 1.1 million factory employees on basic fire safety
- Provided a helpline in more than 400 factories where workers can anonymously report safety or other job-related concerns
- Provided, together with factory owners, wages for more than 6,000 displaced workers
- Published the results of factory inspections on its website, along with corrective action plans for factories entering remediation



Additionally, we've committed \$1.6 million – with \$1.2 million contributed through the end of 2015 – to improve safety training via the newly created Environmental Health and Safety Academy (EHS) in Bangladesh. The purpose of EHS Academy is to provide a local, long-term platform for addressing fire safety challenges in the supply chain through technical training and engagement.

Walmart also works with the Better Work Program in several countries. The International Labour Organization and the International Finance Corporation launched the Better Work Program to improve factory working conditions in the garment

sector. Program components include monitoring factories, conducting training modules for workers and engaging with key stakeholders, including workers, factories, communities and governments.

Asda, Walmart's business in the U.K., is a founding member of the Ethical Trading Initiative (ETI) and works within a multi-stakeholder environment on industry issues such as home workers, working-hours projects, fire safety, living wages and purchasing practices. ETI touches a wide spectrum of issues to help drive positive change through the supply base from which Asda sources.

Issara Institute: Anti-trafficking work in the seafood industry

With a grant of more than \$400,000 from the Walmart Foundation, Issara Institute aims to improve how anti-trafficking work is done around the world, through a focus on metrics and analytics to pinpoint the cost-effectiveness and impact of programs. Launched in 2014, Issara Institute was formed as a public-private sector platform to tackle human trafficking and forced labor in Southeast Asia's seafood supply chain. Through the grant, Issara Institute will increase the capacity of its reporting hotline, improve its use of mobile technology to reach workers and update its information technology systems for better processing and analyzing of data. The Institute will also use the funds to host discussions with nonprofit, academic, donor community and private sector organizations to share the insights and engage in collective problem-solving.

Sourcing and compliance



Maintaining safety, health and environmental compliance in our operations

As Walmart buys, moves and sells products in stores across 28 countries, complying with safety, environmental and other regulations helps us to create a safer environment for our associates and customers. Throughout our operations all around the world – whether in our stores, distribution centers, production facilities, pickup points or on the road – we address safety and compliance by training associates, enforcing stringent standards and fostering continuous improvement and innovation through improved communication and collaboration.

Environmental compliance

When it comes to environmental impact, Walmart aims to meet the highest standards of compliance and to promote sustainable business practices within our operations and throughout our supply chain. Our environmental compliance programs guide our responsible management of waste materials, including wastewater, stormwater, air emissions and recyclable materials. Around the world, subject matter experts train our associates in all markets to comply with environmental regulations and implement best practices. In the U.S., environmental regulatory agencies inspected our facilities more than 2,100 times and found no significant violations.

Since 2010, Walmart has made a significant effort to

recycle as much as possible within local guidelines. In compliance with appropriate recommendations, we recycle lead-acid car batteries, lamps and bulbs, tires, automobile oil and spent cooking oils. Such recycling programs create a double bottom line: They help preserve our natural resources, and they're good for our business. In fact, automobile and cooking oil recycling alone has generated more than \$147 million in additional revenue for our business over the past six years.

Health and wellness compliance: process and progress in our store pharmacies

In a complex and constantly changing industry, Walmart's health and wellness compliance group helps to ensure the safe operation of our pharmacies. This group works to protect our pharmacy customers and the communities in which we operate through monitoring compliance with local and national regulations.

We reorganized controlled substance mandatory trainings in the U.S. for new pharmacists, technicians and pharmacy sales associates. Through the elimination of redundant material, the new program saves nearly \$1 million annually by reducing the time actually

spent in training by three hours per associate. At the same time, it provides a more targeted training that mirrors associates' experience.

We continue to improve our programs to better serve the health and wellness needs of our customers. In 2015, we expanded our pharmacy offerings to include additional types of immunizations and certain medication.



Fleet safety

Each year, we move millions of products from manufacturers to Walmart distribution centers, and from distribution centers to the shelves in our stores. Our logistics network operates one of the largest and safest fleets in the U.S., and our drivers clock thousands of miles each day to make millions of deliveries to our stores and clubs. Our fleet drove more than 700

million miles last year, and was again recognized at the 2015 American Trucking Association's Safety and HR National Conference as the industry's safest fleet in its class for 2014. This year we also had more than 25 drivers surpass 3 million miles or more without a preventable accident.

OSHA compliance

In FY2015, our OSHA compliance safety team worked to improve corporate safety programs in technical safety areas like working from heights. We continue to mature our Compliance Champion program with a champion now in place at every store. Our Compliance Champion program is intended to foster a culture of ethics and compliance. Members of store management recommend associates to the Compliance

Champion program; the champions promote ethics and compliance values, programs and policies with other associates throughout the store. Nationwide calls are conducted monthly to enhance their knowledge and understanding of all facets within compliance, including a culture of safety.

Licenses and permits

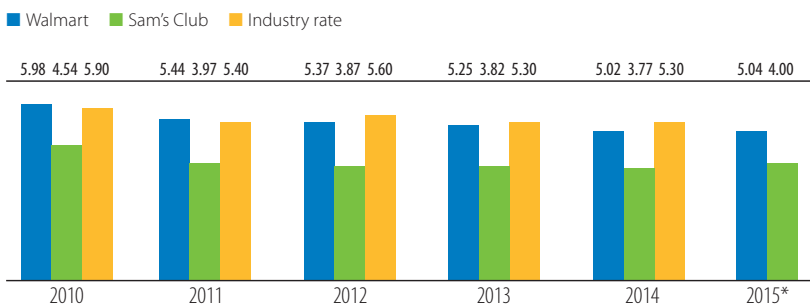
Each year, Walmart's licensing compliance group secures or maintains more than 215,000 licenses and permits globally to keep our doors open for business and products available to customers.

Licenses and permits affect the sale of many items such as food, prescription drugs, alcohol and tobacco. Obtaining the right licensure allows us to continue to meet the needs

of our customers. To maintain business continuity, our licensing compliance team works hard to monitor legislative trends, evaluate our effectiveness and consistently update associate training to help fulfill all legal requirements.

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

OSHA recordable incident rates: Walmart U.S. and Sam's Club vs. industry



*Industry data have a one-year lay time and therefore do not appear in this chart.