

2020 Regeneration Speech - Doug McMillon, President and CEO, Walmart

Sam Walton started Walmart on July 2nd of 1962, so we're 58 years old now. We've learned that as companies grow and mature, just like most human beings, our mindset and perspective changes. One window of time when the company's mindset broadened was about 15 years ago when we made a significant commitment to sustainability. It came at an inflection point in our company's history.

We were a large company but had not fully understood what that meant or what was required of us, socially and environmentally. We were very focused, as younger companies are, on customers and associates. We were doing some charitable giving and generally felt like we were doing "good" by serving others. We were succeeding financially but sensed a disconnect with how we saw ourselves and how some others viewed us. At first, we thought it was a communication problem. What we came to understand was, it was us. We needed to change. It wasn't as much about what we were doing as it was about what we weren't doing. The world had been expecting us to serve people, all people, more broadly. And because we hadn't been, society was pushing back on the idea of our continued growth.

After going through a period of listening to critics, learning from thought leaders and experiencing the emotional and inspirational impact of our actions to serve others right after Hurricane Katrina hit New Orleans, we decided to step up. We committed our company to achieving 100 percent renewable energy, a zero-waste strategy, a more sustainable supply chain and an increase in the minimum wage.

Many people inside and outside the company thought those goals were unrealistic, financially questionable and not operationally possible.

The skeptics had a point. At that time, no large corporation had made a pledge quite like this one. They were ambitious objectives. And, we did not know exactly how to achieve them and said so. All we knew for sure is that they were the right things to do if Walmart was going to be the company we aspired to be.

As these commitments were absorbed by different facets of the company, they generated inquiry. Inquiry generated innovation. Innovation generated implementation, and implementation generated knowledge, savings and profitability. As a few leaders in the company leaned in and showed that we could become more sustainable and deliver on our other objectives, including our financial performance, a broad-based momentum kicked in inside and outside the company. Walmart began to generate a wide wake of good work like a ship cutting through the ocean. To date, we're powering our global operations with about 29% renewable energy, diverting 80% of our waste from landfills and incineration globally, and over the past five years alone, we raised our own minimum wage by over 50%. And we've achieved a large number of successes toward our goal of selling more sustainable items in more sustainable packaging. Our suppliers deserve a lot of credit for what has been done so far and for what we're going to do together next.

We are experiencing, firsthand, the strength of "shared value" or a multi-stakeholder approach to business. We have become convinced that if a company takes the long-term view, addressing the needs of customers, associates, suppliers, communities and the planet, the more value is created for everyone, including shareholders. It's an "and" approach. Yes, we have experienced short term trade-offs, such as when we raised wages significantly several years ago and saw our stock price decline sharply in response to the news. But, those short-term trade-offs fade away over the longer term as we make high quality decisions to build a stronger business for all of our stakeholders.

Since 2005, we have made progress on sustainability and so have many other companies. But, collectively, it hasn't been enough. More must be done, urgently. Lots of warning signs exist and many have intensified. We're now facing a global pandemic, the additional economic challenges that go with it and, especially in the U.S. but not limited to the U.S., the clear lack of racial equity that is a necessary ingredient for the peace and prosperity of everyone. The events before and after the murder of George Floyd have renewed and deepened our resolve to use our business capabilities to address systemic drivers of racism and be part of collective action to advance equity in this country and beyond. We are determined to make progress on this and our ongoing efforts to make Walmart a place of inclusive economic

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opportunity and advancement for all associates, through our jobs and career paths, our culture, our compensation and benefits and our training and education like Walmart Academy and Live Better U.

But today I want to focus on our response to another crisis, one that has been building in the background. A crisis that may be less obvious to us day-to-day, but which, if left unaddressed, will have disastrous consequences for all of us. The crisis is this: we have exceeded the planetary boundaries that sustain our natural environment.

Worldwide, environmental losses are cascading. What was once called climate change is now a climate crisis. Ice sheets are collapsing, extreme weather events are increasing, catastrophic fires are occurring, oceans are acidifying and biodiversity is decreasing. Our natural systems are changing, and what they're telling us is we're not doing enough. We're actually doing irreversible damage to our planet. Nature sustains life, let alone the products our customers rely on. We must reverse nature loss before we reach a tipping point from which ecosystems will not recover.

So, what do we need to do?

Science is clearly pointing to fossil fuel combustion as the primary cause of warming and that we need to be even more aggressive in moving toward renewable forms of energy. Many will say that it's not currently possible to discontinue our use of fossil fuels and sustain economic growth. But experience suggests we can grow renewable energy, create jobs and expand economic opportunity. We're facing a reality that says we need everyone, including those who passionately defend fossil fuels, to have at least as much passion to aggressively fund and support sustainable alternatives with urgency. Let's stop debating the "or" and get on with an urgent "and" strategy until we've innovated our way out of fossil fuels.

And in order to truly stabilize the climate, we need to do more than just reduce emissions – we actually need to draw carbon dioxide out of the atmosphere and bring it back home. For the past 40 years, one of the most powerful ways to reverse global warming has been largely overlooked: scientists tell us that protecting, restoring and better managing the forests, oceans and grasslands could provide a third of the solution to climate change.

Too often, people see the needs of people and living systems as conflicting priorities, climate action versus economic growth or forests versus hunger, when in fact the future of communities and the natural world are intertwined. Social equity and economic prosperity depend on the planet's natural systems. Our goal must be to restore the complex network of relationships between nature and humanity that are essential for people to thrive and achieve equity and prosperity.

We must go beyond sustainability as it is understood and practiced today.

Walmart is a company that cares deeply about our purpose, service and legacy. Every day and at all levels of the company, we ask ourselves how we can use our influence to make this a better world.

Today, I am committing Walmart to become a regenerative company, one dedicated to placing nature and humanity at the center of our business practices. Regenerating means restoring, renewing and replenishing in addition to conserving. It means decarbonizing operations and eliminating waste along the product chain. It means adopting regenerative practices in agriculture, forest management and fisheries – while advancing prosperity and equity for customers, associates and people who participate in our product supply chains. And, working with our suppliers, customers, NGOs and others, we hope to play a part in transforming the world's supply chains to be regenerative.

Let me explain what this means for four critical areas: climate, nature, waste and people in product supply chains.

First, climate. For the past 15 years, we've been working to reduce and sequester greenhouse gas emissions that are responsible for the worst damage to the climate. As part of our new commitments, we are raising our ambition to achieve zero emissions in our global operations by 2040. We're going to pull a number of levers to do this, including harvesting enough wind, solar and other renewable energy sources to power our global operations by 2035. We also think we can get to zero emissions from our vehicles including our long-haul fleet by 2040. And we can switch over to

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low-impact refrigerants for keeping products cool in our stores and move to electrified equipment, like water heating for our facilities. We're shooting to have these in place by 2040 and plan to get there without relying on carbon offsets.

Second, nature. When we talk about nature, we mean the *places* where our food comes from and the *services* our planet provides like a stable climate, clean water and air, biodiversity and fertile soil. We want to help transition consumer product sourcing to a regenerative approach to help reverse nature loss and reverse global warming.

That's why we, along with the Walmart Foundation, are committing to help protect, manage and/or restore at least 50 million acres of land and one million square miles of ocean by 2030 related to ecosystems that produce food and other consumer products. Throughout product supply chains, we'll encourage adoption of regenerative practices in agriculture, fisheries and forest management. We'll also invest in and work with our suppliers to source from place-based efforts that involve companies collaborating with local governments, NGOs and communities to help preserve natural ecosystems and improve the lives of those who depend on them. As we do these things, we'll continue to support efforts to preserve at least one acre of natural habitat for every acre of land developed by the company in the US.

Third, waste. We aim to break the link between consumption and waste, moving toward a circular economy where materials stay in use instead of being thrown out at the end of their purpose. Our commitments include achieving zero waste in our own operations in the U.S., U.K., Japan and Canada by 2025. Last year, we diverted more than 80% of our waste from landfills and incineration globally, including 585 million pounds of food for charitable meals and the conversion of inedible food into animal feed, compost or energy. We've joined the "10x20x30" initiative where 10 of the largest food retailers are working with 20 priority suppliers to halve food loss and waste by 2030. When it comes to packaging, Walmart works with suppliers to reduce packaging and make it recyclable, reusable or industrially compostable – including committing to achieve 100% recyclable, reusable or industrially compostable private brand packaging by 2025 in the U.S. and other markets.

Finally, people in supply chains. Respect for human rights is embedded in Walmart's core values. Given Walmart's international footprint and relationships with suppliers and NGOs, we have an opportunity to improve conditions for workers in product supply chains and bring about positive change. Our sustainability efforts focus on sourcing responsibly, helping prevent forced labor, promoting the dignity of women and creating inclusive economic opportunities through business and philanthropy. For example, in Mexico and India, we source from smallholder farmers, connect them to markets and help make their farms more resilient. In southeast Asia, we have worked with others to combat forced labor, including supporting NGOs to make responsible recruitment the norm and bring traffickers to justice.

The challenges we face as a society are significant. The world will not return to "normal." But disruption gives us an opening – an opportunity to analyze, review and to reset everything we do. The pandemic has taught us an important lesson: when each of us takes action together, we can bend a curve. But it takes each of us. No matter who you are, the role you play matters. What will you do? This is a watershed moment in history where all of humanity is coming together, whether we realize it yet or not.

The work ahead requires learning and commitment from each of us. It doesn't mean being right in a way that makes others wrong. It means listening intently and respectfully, stitching together differences that separate us from each other. It doesn't mean either hope or despair; it is action that is courageous and fearless. We have created an astonishing moment of truth. The crises we face are not a science problem. They are a human problem. Technologies are important, but the ultimate power to change the world does not reside in them alone. It relies first and foremost on reverence, respect and compassion—for ourselves, all people and the natural environment that sustains us all. This is regeneration. And this is what I commit Walmart to do.

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