

Brendan Morrissey ([00:00](#)):

Welcome to the latest in Walmart series of webinars on our environmental, social, and governance strategies. I'm Brendan Morrissey, Vice President of ESG at Walmart. Before we begin, a quick legal note. Following presentation contains certain forward looking statements based on Walmart management's current assumptions and expectations, including statements regarding our ESG targets, goals, commitments, and programs, and other business plans, initiatives and objectives. These statements are typically accompanied by the words aim, hope, believe, estimate, plan, aspire, or similar words. All such statements are intended to enjoy the protection of the safe harbor for forward looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 as amended. Our actual future results, including the achievement of our targets, goals, or commitments could differ materially from our projected results as the result of changes and circumstances, assumptions not being realized or other risks, uncertainties and other factors. With that, we'll flip the slide and turn to today's discussion.

([01:11](#)):

Walmart's holding these discussions to eliminate aspects of our ESG strategy in which we receive questions from the investment community and from other stakeholders on our ESG strategies. Our goal is to allow you to hear directly from Walmart's leaders on these topics, and to get more context for the strategies discussed in our ESG reporting. Our ESG priorities include four themes, opportunity, sustainability, community and ethics and integrity. The issues of focus you see here were identified because of their high relevance to our business and stakeholders, as well as Walmart's ability to make a difference on these issues.

([01:46](#)):

Today we have the opportunity to dive into one of these priority issues, the dignity of people in supply chains, which you see highlighted here on your screen. You'll hear from two of Walmart's leaders on the topic. Kristen Albertson, Vice President, Global Responsible Sourcing, and Karrie Denniston, Senior Director, Sustainability for walmart.org. First part of today's session will consist of an overview of our key strategies on this topic. We use the remainder of the time to respond directly to questions both from the audience live today, but then also questions that were submitted in advance with registrations. And we'll just aim to wrap up right at the top of the hour. First up is a discussion of Walmart's approach to responsible sourcing. So I'll turn it over to Kristen.

Kristen Albertson ([02:30](#)):

Thank you, Brendan. I'm glad to be here this morning to talk about responsible sourcing and people in the supply committee because this is an area where Walmart has already invested substantially. So first, let's talk about what we mean when we talk about the dignity of people in supply chains, and then I'll get a little bit more in detail about our responsible sourcing programming. So we really think about three components when we talk about dignity of people in supply chains. One, sourcing products responsibly, and that's sort of the foundation of our responsible sourcing program, which I'll get into. Two, creating economic opportunity for people in supply chains. And three, collaborating with others to address systemic risks to worker wellbeing. And so we see all

three of these elements as key, not only to ensuring that Walmart's code of conduct and our standards for suppliers are met and understood and upheld, but also to maximizing our positive impact for the people who make our products and for our customers.

[\(03:39\)](#):

So if we can go to the next slide, let's start by looking a little more closely at responsible sourcing. So at Walmart, we expect the products we purchase for resale or purchase for our own use to be made by suppliers who act ethically, pay people fairly, provide working environments that are safe and clean and respect the dignity of workers. And these are foundational in our standards for suppliers. So our responsible sourcing team works with our merchant and sourcing partners across the globe to put these principles into place in our business practices.

[\(04:17\)](#):

So I'll highlight a few key elements which you can see on the slide here. First, we have robust policies including the two I mentioned our code of conduct and our standards for suppliers, but we also have targeted specific policies around related issues such as conflict minerals and global force labor prevention. We also provide responsible sourcing training programs, both internally to our business partners in merchant and sourcing organizations, and also externally to our supplier community. We have compliance associates located in 14 countries around the world that support responsible sourcing and provide ongoing support and guidance to our merchant and sourcing partners around the world so they can align their practices to our program's expectations. And then monitoring for compliance. We monitor the supply chain for compliance with our standards, including through audits and investigations, and I'll talk more about those programs in just a moment. And lastly, I would say we offer tools so that people in the community, whether they are workers in facilities or internal referrals, can reach out to us through our global ethics helpline to make us aware of potential non-compliance issues.

[\(05:44\)](#):

So if we go to the next slide, I'll get a little bit more into the details of responsible sourcing. So you'll see here some of our statistics from our last financial year. We take a risk based approach to auditing. And so in addition to conducting an annual risk assessment, we take a risk based approach to our auditing as well. So we assign risk levels to regions and territories based on the World Bank governance indicators and other factors that may arise from time to time. And facilities in our lower risk areas are subject to audits on a less frequent basis, while facilities that fall into medium and high risk areas are subject to more frequent audits. And this is true regardless of the outcome of their performance on prior audits.

[\(06:39\)](#):

So to give you a sense of the scope of the program, we assessed over 14,000 of these audit reports last financial year. Each of our audit reports is individually assessed by a Walmart associate against a set of criteria that is aligned with international labor norms. Of these 14,000 reports from last year, over 90% received a green or a yellow rating, meaning that they were at a very high level of compliance or had just relatively minor issues to work through. Where we have more

serious audit findings are allegations such as allegations of a serious safety concern or an indicator of forced labor. We have teams dedicated to investigating and following up on these issues, whether they arise from our audits or from internal referrals or from reports to the helpline or some other outreach to Walmart. Each case is reviewed and follow up may include worker interviews, it may include onsite investigation. And we look into hundreds of these every year.

[\(07:50\)](#):

So the next steps as a result of these reviews, depending on what we find, so we moderate risk findings may result in consequences for suppliers, whether that be what we call a strike or whether it be an orange rating for a facility. And when these accumulate, the supplier can face serious business consequences up to and including termination of business with Walmart altogether. And our merchant in sourcing teams partner with us on these outcomes and promote the program in our business decisions.

[\(08:28\)](#):

So with that, I'm happy to turn over to Karrie to talk a little bit more about what we do beyond compliance, because while compliance is a fundamental expectation, Walmart's aspirations are broader than just this. And so to have strong and resilient supply chains, we need to work with others to address systemic risks. And so Karrie's going to talk more about that.

Karrie Denniston [\(08:54\)](#):

Great. Thank you, Kristen, I really appreciate that. As you mentioned, systemic risks such as forced labor, unsafe working conditions, gender inequity, these are all ones that no one business and really no one sector can solve alone. And we know that lasting and positive change is going to require both collaboration and focused action. So on these issues that we have identified and really prioritized, we start first and foremost with where we can lead through the business. And Kristen, you already shared some examples of that work. But from there, we look to identify where do we have opportunities for collaboration with suppliers, with non-governmental organizations, with experts and other stakeholders so that we can better understand not only root causes, but also opportunities for further action. We've committed to working with others to address risks to dignity of workers in at least 10 supply chains by 2025. And you see some of the areas in which we've already focused this work on the slide.

[\(10:06\)](#):

So that includes things like apparel in Bangladesh, produce in the North American corridor, tuna and shrimp in Thailand, and electronics that are being sourced into our US retail market. Now, our work in these areas isn't limited to just these five and is much broader. So I encourage you to keep watching this space. As we continue to learn we want to make sure that we are sharing what we learn and updating more on this area.

[\(10:36\)](#):

Now, I've spoken about the approach that we use to address these systemic risks, and now I'd like to illustrate it with an example of our work in responsible recruitment. As we've talked about,

responsible recruitment is a key issue in supply chains like produce and seafood. And in 2016, Walmart and the Walmart Foundation set an aspiration to help make responsible recruitment the standard business practice for supply chains. And we want to do that and see that change within a decade.

[\(11:07\)](#):

Now, responsible recruitment, what does that actually mean? It means that workers should not pay recruitment or similar fees in order to get a job, even if it's allowed by local law. Workers should be appropriately authorized to work, including meeting local law and legal requirements around legal age and other requirements. This really matters because paying for a job can make workers vulnerable. Workers who pay for a job may find themselves in debt before they even start work on day one. And debt bondage is one of the most common forms of forced labor.

[\(11:45\)](#):

So we know it's a serious and systemic issue. How are we making a difference? Well, we start again where we can lead through our business. Our standards apply to our suppliers, and they've long prohibited forced labor and labor trafficking. And we expanded on this a few years ago by clarifying and emphasizing that this includes ensuring that workers have not paid fees to get a job, and that they fully understand the terms of employment and the conditions before they ever leave to start their employment.

[\(12:20\)](#):

But again, Walmart can't do this alone. So that's why last year we launched a supplier focused initiative that was focused on responsible recruitment, where we're inviting suppliers in a few key categories like produce to adopt and report on practices that demonstrate leadership and leadership related to these kinds of issues. So things like responsible recruiting, worker engagement and connection and transparency. In addition to working with suppliers, we extend and compliment this through philanthropic investment from the Walmart Foundation because we know that business alone isn't going to be in a place to solve some of the gaps and challenges that really stand in the way for progress on the overall system.

[\(13:08\)](#):

So for example, investments might focus on better understanding the prevalence of recruitment issues and debt bondage, risk factors that are associated so we can better target action. Some investments help to scale and support tools that can help with transparency and data. Strengthening public policy systems or helping scale demand for responsible recruiters. Just one example, last year, the Walmart Foundation made an investment in the global fund to end modern slavery. This investment was targeted in helping to create safe migration corridors for migrants in Malaysia. Through giving tools and knowledge and awareness of what a worker should expect while simultaneously helping to accelerate the growth of an ethical recruitment agency. Now that's just one. Through the Walmart Foundation since 2016, we've invested over 40 million in these issues. And I would encourage and invite...

Karrie Denniston [\(14:03\)](#):

... invested over 40 million dollars in these issues, and I would encourage and invite you to check out the ESG report so that you can see our brief on people in supply chains and learn a little bit more about this work. Oh, Kristen, I think we still can't hear you.

Kristen Albertson (14:31):

Can you hear me now?

Karrie Denniston (14:33):

Yes.

Kristen Albertson (14:33):

Okay, the third pillar of our work on people in supply chains is building economic opportunity for people working in supply chains, including the strategies that you see outlined on the screen here. Again, these often involve business efforts combined together with philanthropy. So, for example, several of our businesses have sizable supplier development and producer sourcing programs that create opportunity for farmers and other small producers through the power of our purchase orders. We also provide training and share best practices, including through our Vriddhi and Smart Initiatives in India to help small producers access markets generally. And, finally, the Walmart Foundation has a dedicated grant portfolio that has awarded more than 67 million dollars since 2017 to benefit over 730,000 smallholder farmers. Programs funded, help these smallholders increase their yields, access markets, incorporate sustainable agricultural practices, and strengthen farmer producer organizations. So, Brendan, I think we'll hand it back to you.

Brendan Morrissey (15:51):

Great. Thank you so much for that overview. And we'll just turn to the next slide so that I can remind everybody where they can find more information about this. You can find our ESG reporting on our corporate website, which is listed here, corporate.walmart.com/esgreport. And if you want to read more about our policies, which Kristen had mentioned earlier in the presentation, including our code of conduct, our standards for suppliers, and other related issues, you can go to the site that's listed there. And so with that, we'll turn to the Q and A and we were fortunate enough to get a few questions in advance from registrants, and we've seen a couple more pop up while we've been doing the presentation. So we'll start with the pre-prepared ones and then move on to a couple of the other ones that have come in.

(16:45):

And just for everybody's awareness, we are grouping questions as well. So we have received a few that we're addressing very similar topics and we can address it once, and so we'll do that as well. So the first question is, where are you collaborating with other brands or retailers today? And do you see other such opportunities for collaboration in the future? And Kristen, I'll pass this one over to you.

Kristen Albertson (17:13):

Sure. So I just returned from Southeast Asia where I was visiting suppliers in Cambodia and Vietnam, and one of the challenges that I think comes up consistently in these discussions is the challenge of building systems to increase worker safety and dignity at large. And so the need for collective action on these topics is exactly why we collaborate with other stakeholders in order to advance issues. So, for instance, in Bangladesh, Walmart partners with Nirapon, an organization focused on monitoring ongoing safety compliance and maintaining the progress already made on safety in the industry, to monitor safety in our suppliers local apparel facilities. Similarly, Walmart is a founding member of LABS or the Life and Building Safety Initiative, and we proudly support the great work LABS is doing to improve worker safety in apparel in footwear industries in Vietnam, India, and most recently launched in Cambodia as well.

(18:21):

So the progress of these initiatives, I think shows what can happen when private companies and public and civil society join forces. We expect the products that we purchase and sell are made in the right way by suppliers who act ethically and create safe and fair working environments, as I already mentioned. LABS helps our suppliers meet these expectations through prevention and mediation of issues around factory safety.

Brendan Morrissey (18:52):

Great. Sounds like a lot of good opportunities out there and some good successes as well in the past that have worked out well, both for our business as well as for the people who are impacted directly, so some potential great opportunities out there. The second question is one that we got live here, and Kristen, I'm going to just pitch it over to you because it relates directly to our responsible sourcing policies and standards. But the question was, does Walmart prohibit the charging of recruitment fees in connection with work in our supply chains?

Kristen Albertson (19:30):

Yes, we do. Walmart's principles on responsible recruiting do prohibit the charging of fees and requires repayment of fees where we've discovered the same, and this is true regardless of what the local law may say about that.

Brendan Morrissey (19:48):

Yep. Thanks for clarifying that. And you can see that, for Velika who asked the question, you can see that in our Standards for Suppliers and otherwise in our ESG reporting as well. So, onto the next question that we've received here, is Walmart testing any new technologies or strategies to get better supply chain visibility or better assure itself of good outcomes in supply chains? And so Kristen, I think I'll start with you and then Karrie, I know that we've been doing some investment from the walmart.org side as well, so perhaps Kristen you can start and then Karrie, you can pitch in at the end.

Kristen Albertson ([20:30](#)):

Sure. So this is a great question and definitely one that is top of mind. And for those of you who study innovation, you'll know that it's one thing to have a working technology, and it's quite another thing entirely to get adoption at scale. So one area we're investing in for technology and innovation is relating to a core need and responsible sourcing for traceability of our supply chain. And as many here know, global supply chains can be complex and improved traceability supports our responsible sourcing program. So we're exploring technologies now that allow us to have improved visibility along our supply chain. One example is genetic testing of items that allows for testing and verification of sourcing records, both from a risk-based perspective or proactive response as well. This will be particularly useful at the commodity level where challenges are concentrated and traceability is more difficult. So we're exploring a number of different technologies in this regard. And Karrie, I know we're also making some investment.

Karrie Denniston ([21:45](#)):

We are, we are, and Kristen, I think you talked about this, but one of the things that we're seeing through the investments we're making philanthropically is this question of scale and how do we get to scale? It's really key. So, through philanthropic capital, we're working to test that approach, not only what works, but can we actually get to adoption for some of these emerging technologies and get them to a place where they can become more normative. So, for example, in seafood, we have a series of Walmart Foundation investments that are supporting, especially a group of organizations, to help advance transparency tools for vessels at sea, right? This is an incredibly hard area to be able to get information. There's a lot of complications with that, and technology can play a really critical role. So an investment with the Nature Conservancy is helping to connect the dots between satellite monitoring, so eyes in the sky to electronic monitoring on vessels that are working to surface issues of overfishing and other sustainability concerns.

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At the same time, we're investing with Global Fishing Watch and the University of California at Santa Barbara. They're trying to accelerate that scale for electronic monitoring on the vessels for long-line tuna vessels in the Western Central Pacific Ocean. But the key to all of that, have the technology and have the tools on the boat and in the sky, it's not just about having it, it's about making it practical and about making it actionable. So another investment Walmart Foundation has made with Global Fishing Watch is actually trying to test the practice side of it. How do we engage with regulatory bodies, with industry associations, so that data is getting into the hands of people who can actually say, "This is useful, I know what to do with it, I can now target a response and I can prioritize places where action is most needed."

Brendan Morrissey ([23:43](#)):

That's great. Yeah, I mean, it's just a great example of how we're taking both a business and then business approach to it and a compliance bridge to it, but then complementing that with philanthropy to change the underlying systems developments and technologies and really help

everybody benefit from our focus in this space, which is the outcome that we want to see. So, I think a great illustration of work in this space and our overall approach. Appreciate those responses. Next question that we have ... we've received a number of questions around human rights risk and how we approach human rights, risk, and supply chains. So can you speak to our corporate processes and provide some examples about how we approach human rights, risk, and supply chains? So I'll start with again, business first and then probably philanthropy. So Kristen, if you can start out and then Karrie, if you can come in after that and talk about our approaches as well.

Kristen Albertson (24:48):

Yes, that's a great question as well, and with a supply chain and a company as robust as ours is, it's helpful to break down our thinking on human rights into a few different levels. One being governance, one being risk analysis, and another being deep dives into specific issues. So, at the governance level, we have a cross-functional human rights working group that supports Walmart teams in advancing respect for human rights throughout our business. The working group includes representatives from various functions including ethics and compliance, Global People, which is Walmart's human resources organization, labor relations, responsible sourcing, our Culture Diversity and Inclusion group, global responsibility, government affairs, corporate communications, and our legal partners. The working group reports to the ESG steering committee, which is a management committee composed of leaders from various Walmart teams that reviews ESG issues and priorities here at Walmart. The ESG team is part of global responsibility, coordinates this human rights working group.

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In addition, our chief sustainability officer and executive vice president of Corporate Affairs provides regular updates about our ESG initiatives, including those related to salient human rights issues to the nominating and governance committee of Walmart's board. So, on the analysis piece, we use the risk-based auditing system that I've discussed already. This allows us to make sure we're focused on the most salient issues rising in our supply chain and the geographies with the greatest exposure, and it allows us to target our efforts appropriately, based on what we see. Walmart's Responsible Sourcing team conducts an annual risk assessment, as I mentioned, and we utilize internal and external data to better understand social compliance risks in our supply chain and, specifically, as it relates to certain geographies and certain commodities. We take a risk-based approach to auditing our suppliers disclosed facilities by allocating more resources to facilities located in regions with greater potential risks, as I described earlier.

(27:08):

So, these audits focus on a variety of issues, including worker compensation, voluntary labor practices, working age laws and standards, working hours, and facility health and safety standards. And, in addition to monitoring our suppliers facilities through our audit program, Walmart investigates alleged violations of our standards for suppliers that we detect through various reporting mechanisms, including internal referrals, work grievance mechanisms, such as the

Walmart Ethics Helpline, and many other channels that we maintain for reporting. We also respond to issues that we see in NGO reporting and in the media in this way. And so substantiated findings, like I said, result in consequences for our suppliers or their facilities or both.

Kristen Albertson (28:03):

Consequences for our suppliers or their facilities or both up to and including termination of business with Walmart. And I see a question that I'll go ahead and address while we're on this topic about the effectiveness of our helpline and how do we know it's working. I would say that we have a very robust helpline and reporting process and we know it's working because we see the calls coming in each year. And last year we opened just around 700 investigations into reports and concerns. So I think you can see from the volume that we have a robust process in place for receiving allegations and reviewing them.

Brendan Morrissey (28:53):

Anything you wanted to add on just the end of this question on the human rights approaches?

Karrie Denniston (28:58):

Sure. And I think Kristen touched on a lot of them. I'll maybe just go a little deeper on how we utilize perspectives from external stakeholders, NGOs, public reports, and how we use philanthropy to extend that even more. So one of the ways that we use philanthropy is helping to invest in, I mentioned prevalence studies earlier. How do we better understand as a sector, not for Walmart, but how does the world better understand where risk is and how we can prioritize? So for example, we've worked with International Justice Mission on understanding prevalence and seafood with Wilson Institute in produce in the North American corridor, all focused on workers and potential risks so that we have more data to be able to target that work. We also engage with stakeholders to pull out perspectives. So that includes issues identified by the workers themselves. Through the foundation, we've supported organizations like ITSA institute, Polaris, Sieto, they're all doing important work to really generate this data and understanding of prevalence and issues and give workers avenues to raise concerns that aren't about anyone, retailer or any one company, but are actually about the system in the sector overall.

(30:18):

We also do these kind of deep dives into the priority topics. So Kristen touched on our work on economic opportunity and livelihoods. One of the things we know as we look at how small scale producers are developing is that there are issues around gender equity for who is leading a farm, who is leading a business, and how we can bring leadership and skill development for women producers so that they can take more of that leadership role.

(30:49):

We have focused approach there. What are the barriers, what are the particular gaps, and how do we utilize our programs and support to try to get at some of those issues? That might mean leadership development, working with farmer producer organizations where women are not only

members, but sitting at board level, enhancing skills and capabilities around production, focusing on things like crop management and diversification or connecting women particularly with financial products or technology products that can help them step into some of those roles. So it's really about identifying for each of these places, where are their particular issues, what are the tools that we can put and how do we take those barriers and really lean in and develop our programs to support them.

Brendan Morrissey ([31:38](#)):

Great. That makes a lot of sense. Thanks both... thanks to both of you for the comprehensive answer on that one. Appreciate it. The next question relates to place-based initiatives. So Karrie, I think I'll pitch it over to you. The question is, I read in your disclosures about place-based initiatives with social components. Will Walmart invest in additional place-based initiatives in the future as a means of helping to control for social conditions in the supply chain? So Karrie, I'll pitch that to you.

Karrie Denniston ([32:11](#)):

For those of you who didn't read every aspect of our disclosure, maybe I will first start by talking about what a place-based project actually is and how we think about it. So the idea behind a place-based project is that it's a way of thinking a little bit differently about sourcing and it's moving from kind of a linear relationship into one that considers a landscape in a community and the outcomes, and I'll explain a little bit more about that. So imagine you have 10 farms in a community and of those farms we have three farmers who are really best in class in terms of sustainability, labor practices, social conditions, really doing the things that need to happen to enhance economic livelihoods and environmental outcomes. But the other seven farms in that area are not up to that same standard. Now we can choose through our suppliers and community to really work with those three, but the impact at a landscape level could still be really challenging.

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We can still have negative outcomes for nature and for people in that community. So what a place-based project allows you to be able to do is actually consider and think about that whole area, that whole landscape, that whole community, what is the plan and how are we addressing changes and outcomes across environmental, social, economic. It's about management, but it's also about conservation and restoration of these places. It's an important and critical tool that we're really excited about the potential of what this can mean. But they're not easy to create, they're not easy to build. This involves having governments, non-profit organizations, multiple businesses who are all coming together to really collaborate on that plan and help drive changes in how practices are happening. So I'll give you one example of how this is starting to come to life and you may have read about this a little bit in recent announcements that have come out, but one example is our sourcing of tuna from the republic of the Marshall Islands.

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And this is a company Pacific Island Tuna, which is a joint venture between the Nature conservancy and actually the government of the republic of the Marshall Islands. The tuna is sourced to MSC standards and we are sourcing it for our great value tuna in our private brand. What's different about this and how this leans into the model of place based and the idea of it is that TNC reports that the initiative aspires to distribute 40% of the long term net income directly back into the community conservation and efforts for climate resilience.

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So that includes things like the development of marine protected areas, coastal restoration and tourism and other economic factors that can be supported through that kind of work. Why this matters additionally for social components is this also sets a benchmark for labor and traceability standards. So we are able to have more visibility into those practices because this is such a relationship that's built at the community level, It sets a benchmark for industry action and it also shows how innovation can happen in sourcing. We are additionally working in commodities like rice. We anticipate that this will be something that we are looking for additional places where this kind of model can really work. And if you're interested in learning more about it, I'd encourage people to check out Walmart's sustainability hub. It's a great source of information. We have a page there on our nature approach and it does list some of the efforts around place-based projects as well.

Brendan Morrissey [\(36:09\)](#):

And if you're a Walmart supplier on the line today, you can use that. There's a great map on there. I enjoy kind of playing around with that. This is how I spend my free time, but checking that out to identify, take a look at different place-based projects that are out there that are looking for support that we've already taken a good look at. So please go ahead and take a look at that and others can as well. So thanks Karrie for giving us a rundown on that exciting stuff. Question for you, Kristen, that came in through the Q&A. It's around recruitment fees and whether through audits or otherwise, we've identified instances in which workers have been found to have paid recruitment fees or whether there has been evidence alleged that people had paid recruitment fees and whether we've been looking into those. So if you can provide any... shed any light on that, that would be great.

Kristen Albertson [\(37:11\)](#):

Sure. The short answer is yes, we have received allegations of recruitment fees and we have confirmed a few of those allegations and where we do so, we work directly with the suppliers to implement a plan for a payment of these fees.

Brendan Morrissey [\(37:31\)](#):

Great. Thanks for confirming that. Moving on to the next question is, a lot of the discussion's been around some of the efforts underway, things that we're doing, policies we have in place, things like that. This question is really around outcomes. So indications that the programs are working. We've been, and we've touched on some of those, right? The hotline and its effectiveness because we're

getting allegations and are we identifying recruitment fees? The last question, things like that. Are there any other things that you can point to in this space that tend to show that the efforts that we have underway are helping workers in the supply chain and that there's been overall improvement? So let's see. I'll start with Kristen I guess again. And then Karrie if you have anything to layer on we can turn to you.

Kristen Albertson (38:33):

Sure. I think that our responsible sourcing statistics are pretty illustrative in this area. I already described sort of the volume of audit reports that we assess every year. And another data point I can share is that nearly 28% of orange rated facilities last year were remediated to either yellow or green assessments as a result of the work that we do. So I think this is another telling number and we're also working to track change on a wider level. So Karrie has talked some about our responsible recruitment initiative. We launched a supplier responsible recruitment initiative in March of 2022 at our supplier growth forum. And the initiative invites suppliers, as Karrie described, to adopt and report on practices related to recruiting, worker engagement and transparency that experts believe will facilitate responsible recruitment across business. So this helps us to ensure that the policies and standards we've put in place through our responsible source and compliance program are adopted and understood across supply chains and it provides additional support to help make that happen.

(39:54):

I think another good example is the alliance for Bangladesh Worker Safety, which Walmart was a founding member of. The Alliance trained nearly 1.6 million factory employees on basic safety and provided more than 1.5 million workers in a thousand factories across to a helpline to anonymously report safety or other job related concerns. Approximately 93% of total remediation items across alliance affiliated factories were completed. And although the alliance's work has concluded, we continue to prioritize safety in Bangladesh through other programs, including NeoCon, an organization focused on monitoring ongoing safety compliance and maintaining the progress that was already made in Bangladesh through the alliance. This type of engagement I think is indicative of how we work towards compliance and towards raising standards across industries generally at the same time.

Karrie Denniston (41:01):

Maybe the only thing I would build on that, I think that was a great answer, Kristen, is just because we are trying to work where Walmart can lead and really lead through the business, and Kristen just talk through some of the indicators, we really think helps show progress and impact for workers and communities. We are also really trying to get at that system level and continuous improvement. Those things are just frankly harder to directly measure. And C, we did action A and therefore here's what happens because it is a part of a system. There are some things that we use as markers and some of them are large. So for example, through a philanthropic investment in the Walmart Foundation, investment in international justice mission, that was around strengthening criminal justice system, that helped to support work that led to prosecutions and convictions of

traffickers. Those are big things. They're symbolic. They really show us that the system is starting to...

Karrie Denniston (42:03):

They're symbolic. They really show us that the system is starting to have resiliency and health and is starting to work. But there are also indicators all along the way. There are workers being reached with knowledge, tools, training. There are ethical recruiters that are starting to grow in scale. There are indicators that the overall system resiliency is starting to identify, here's expectation and here's where expectation isn't being met, and closing that gap. So there's a lot of ways to think about impact. I think we're continuing to learn and evolve in this space, and we really learn a lot from stakeholders who are also thinking and evolving in this space. But we do think really seriously about the impact of the actions that we're taking.

Brendan Morrissey (42:46):

Great. Thanks to you both for addressing that. Certainly a space to watch as it develops and... Focus on outcomes, which is the ultimate goal here. Question for you, Kristen, just on how we work with our suppliers on getting... Seeing improvements in color ratings of their facilities over time. Can you just speak a little bit to how we assess reports, the audit reports, and then the communication back to suppliers, and work through our merchants as well to communicate expectations and promote overall improvement?

Kristen Albertson (43:31):

Sure. As I mentioned, we have a dedicated team of compliance associates who assess each and every report that comes through, and we work through our responsible sourcing teams to provide feedback back to suppliers on our expectations. And I think you can see from the numbers that we share in our FY22 ESG report, in the brief on people in the supply chains. Sort of a breakdown on these issues in last financial year's reporting.

Brendan Morrissey (44:15):

Great. Thanks for that. And the stat earlier that you had shared on the approximately 28% of orange traded facilities upgrading to yellow certainly is a great sign, I think, of the way that engagement and sharing of expectations with suppliers and our policies around that is helping to improve things overall. So thanks for that.

(44:41):

The next question that I have is just around regeneration. And Karrie, I think I'll pitch this one over to you. The question recognizes that the company has made a set an aspiration to become a regenerative company. And the question is around, well, how does that relate to the issues that we're talking about today? How does that relate to issue of people in supply chains? How does that relate to our overall ESG strategies? So perhaps you can speak to that a little bit and bring that to life.

Karrie Denniston (45:13):

Yeah, I'd be happy to. Thanks for the question, Brendan, because this one is, I think, really at the heart of this work and everything that we've been talking about today. So maybe I'll start first with why did we set this aspiration to become a regenerative company? What does that really mean? And fundamentally, this is a business strategy and it's a business strategy that explicitly puts people and nature at the center of our business. It is a recognition that to be a strong company in the longer term, we have to prioritize practices today that regenerate. Meaning that they create rather than extracting or merely being sustainable, we're creating a system where we're putting more in than we're taking out. And in reality, that is our ESG strategy. That's... We're prioritizing the issues that matter, that are relevant for long term success of the business, and we're doing that in a way that also prioritizes the interests of our stakeholders.

(46:17):

So when we look at that and I think then about, "Okay, what does that... How does that come to life for people in supply chain?" We look at the wide range of issues that we can focus on. And what becomes apparent is that, as a retailer, the dignity and welfare of people who make products that we sell, who are a part of our customer base, who are part of communities, people has to be a priority for us. We can't have a strong business without them, and they also have to do well. Not only that, we have business assets that can create tremendous value for people, workers, and producers.

(46:57):

So our regenerative approach to this issue is one where business thrives and becomes stronger because workers do better. They're safer, they're fairly paid, they have economic opportunity that ripples into community where dignity, respect, and livelihoods really are at the heart. And that... The fact that it is a business strategy. We've talked about philanthropy as a tool, we've talked about other mechanisms, but because this really is core to the long term aspirations for the business, it makes it very real in our day to day. So hopefully that helps clarify a little bit.

Brendan Morrissey (47:37):

Yeah, it does. Appreciate that, thank you. It's... These are sort of heady concepts sometimes and it's hard to appreciate what a company means when it uses a word like regeneration, and then in the very practical context of some of the issues that we're dealing with today... Talking about today. So that was helpful. Just a quick question for you, Kristen, just around the scope of our standards for suppliers. The question was asking to confirm that they're in fact our global standards and that's... That's our universal expectations in the supply chain.

Kristen Albertson (48:12):

Yes, absolutely. Our standards are global in scope and apply to all of our supply chain.

Brendan Morrissey (48:22):

Great, thank you. Then we've got a question around sustainable seafood. The question's with regard to Thailand, but I can broaden it and just say more generally, and Karrie, perhaps you can take this one. Can you confirm just the scope of the.. In terms of both social and environmental and anything else you'd like to add on our focus with regard to seafood?

Karrie Denniston (48:51):

Sure. Happy to. The answer to that is yes. We actually think about the intersection between social, environmental, and economic as we look at seafood sector and those supply chains. And I'll just give an illustrative of example of why that becomes so important. I spoke a few moments ago about the Nature Conservancy and Global Fishing Watch and really thinking about electronic monitoring, and satellite monitoring, and these kinds of tools. It's actually very hard to separate the social and the environmental issues in these kinds of cases. Because if a vessel is illegally fishing, overfishing, not reporting bycatch, utilizing practices that are not fit for our base standards and things that we'd like to see in accordance with our seafood policy, it's very likely that that same vessel may also have issues around recruitment and those kinds of practices on the labor side as well. So we see these as being really interrelated issues.

(49:57):

Now, the tools, and responses, and how we can support them, sometimes that comes through an environmental lens, sometimes that comes through a social lens. But really what we're trying to get at is addressing the issues at that more system level again. And so we often have to look at that as two sides to the same coin.

Brendan Morrissey (50:17):

Great. Makes a lot of sense. And then, in the context of our place-based initiatives, which you spoke to earlier, it really speaks to... In a situation where that would be an ultimate outcome, where we're taking care of all of those issues at once and addressing it that way. So thanks for that.

(50:36):

I'll just take the last couple directly because they relate to sort of our... Our ESG disclosures write large. And so since I mentioned at the outset that I lead the ESG team here at Walmart, one question was around... Some information around our small holders and diverse suppliers and how we think about that. What I'd encourage you all to do is take a look at our brief, our ESG brief on supplier opportunity, as well as our people in supply chains brief, which we've been referring to throughout. There's quite a bit of information in there around our approaches to sourcing from diverse businesses, from small holders and things, and in particular markets, where we do have pretty deep programs in that space. In particular, in Mexico and in Massmart. Some really nice things happening there.

(51:28):

And then in the US, 13.1 billion dollars sourced from diverse suppliers last year. Essential... From around 2,600 suppliers. So really meaningful sourcing when it comes to those types of programs. And then the last question that I saw that I can speak to before we end here today was around just

more... Wanting to see more specificity on the breakdown of different types of issues that we face and allegations and things. And that's good feedback. We can take that as feedback just in terms of additional information that folks would like to see to hopefully get a better appreciation that the systems we have in place are working and that we're working with our suppliers in the right way to address those issues. So I think really good feedback. So with that, I think we've reached the end of our Q&A session here today. We're... It's 9:54 here, Central time, and we'll wrap up. I want to thank my panelists, Kristen and Karrie, for speaking with everybody here today. Hopefully it's been useful for you all. Any questions we didn't necessarily get to, we'll shoot some responses out. And thanks all for attending.

Kristen Albertson (52:45):

Thank you.