

2021 ESG and Human Capital Discussion

Sept. 30, 2021

Dan Binder ([00:01](#)):

Good morning and welcome to Walmart's ESG webinar on human capital. My name is Dan Binder and I lead Walmart's IR in corporate FP&A teams. I'm joined by my colleague, Kathleen McLaughlin, Chief Sustainability Officer and President of Walmart Foundation. This is the first in what we hope will be a series of discussions on Walmart's ESG priority issues. And today, Kathleen will speak about Walmart's human capital strategy. Kathleen and her team are responsible for the ESG strategy and disclosures, including working with subject-matter experts across the business to make sure we're focused on the right ESG priorities.

Dan Binder ([00:40](#)):

Before I turn the call all over to Kathleen, let me remind you that today's webinar is being recorded and will include forward-looking statements. These statements are subject to future events and uncertainties, which could cause actual results to differ materially from these statements. The information discussed in today's meeting should be viewed in conjunction with our ESG reporting and other public documents, including our 10-K and earnings materials, these documents and our entire Safe Harbor statement can be found on our investor relations website, stock.walmart.com. We will post today's webinar under the Events section of our investor relations website.

Dan Binder ([01:19](#)):

As you can see from the agenda on your screen, Kathleen will spend about 20 minutes providing an overview of our human capital strategy as outlined in our ESG reporting, that will be followed by a 30-minute Q and A session. And at the end of that session, our meeting will conclude. We received questions from several people in advance of today's meeting, so we'll begin with those and then move to the questions in the queue. You can ask a question at any time today by using the Q and A button at the bottom of your screen. We're hoping to address other priority ESG issues in future webinars, but for today's session, we request that you keep your questions focused on human capital. If you have additional questions following today's webinar, please submit them to our investor relations team through our investor relations website, stock.walmart.com. It's now my pleasure to turn the call over to Kathleen McLaughlin.

Kathleen McLaughlin ([02:15](#)):

Hello, good morning everybody. And thank you so much for joining us. As Dan said, this is our first ESG webinar, so we really appreciate your participation. We welcome your feedback on whether this format is useful to you, that's our intention. That's the purpose for having this discussion today. There's been so much interest in ESG strategies that we felt it was important to create these opportunities for more dialogue, more back and forth, and Q and A to understand what's on your minds and help us disclose things that are really relevant for you.

Kathleen McLaughlin ([02:50](#)):

I want to just start off my remarks by saying that our approach to ESG is very much rooted in shared value. In other words, corridor enterprise strategy is the view that the way we maximize value for

shareholders is by addressing the needs of our stakeholders effectively. So obviously, our customers and delivering on our proposition to them, but also delivering value to our associates, our suppliers, the communities where we operate, other stakeholders. If we do those things well, we maximize long-term value for the company, and we can help bring the assets of business to bear on important issues that end up strengthening the systems that all of us rely on in society, including business.

Kathleen McLaughlin ([03:40](#)):

So for us, there are four key themes that we have set out as priorities for us in ESG. These are based on our priority assessment feedback from you and other stakeholders about what are the issues that you believe are most relevant for Walmart to address. Second, our view on what is relevant for our business, and third, issues where we believe we can make a difference on those issues. So those are the three screens, and that's how we ended up with this priority set. And they're pretty evergreen, obviously, as things develop and so on, we can adjust these as we go. Certainly COVID response has become a major factor under our serving communities approach, but consider this a fairly evergreen list of priority, environmental, social, and governance issues, where we believe at Walmart we can make a difference.

Kathleen McLaughlin ([04:37](#)):

Now, for each of these, what we have is an investment thesis. In other words, if you're an investor, and you care about these issues, why would you want to put a dollar into Walmart? How is our engagement in these arenas going to create value for our company? And how is it going to create value for society and address those issues? And so our disclosures are really centered around those investment theses, and I would welcome you and invite you to go to our investor website and take a look at the issue briefs that we've posted there for each of these issues. We have pretty in-depth briefs where we've laid out, what's our shared value aspiration with respect to that issue? What are the target goals, public commitments, metrics? What are the strategies that we're pursuing and the progress we're making? And then, finally, the challenges that we're encountering?

Kathleen McLaughlin ([05:33](#)):

So we've designed these to be pretty comprehensive and welcome your feedback on any of them. There are a couple of issue briefs there that I'll call to your attention that are relevant to what we're going to talk about today. One is around good jobs and advancement for associates or human capital strategy. The other is related, and it's the equity and inclusion at Walmart and beyond brief. So certainly our human capital strategy is a really important part of our equity strategy, but our equity strategy goes beyond that. It considers how we can use our sourcing to advance equity, our investments as a company. Initiatives that we're taking through other assets we have, our products, our services, and so on to address disparities for women, for people of color, for other underserved groups, so that's goes beyond human capital.

Kathleen McLaughlin ([06:26](#)):

I'll touch a bit on it today. But today we're really focused on the one that's underlined here, which is our human capital strategy, really centered around good jobs and advancement for our associates. And the last thing I'll say before we go on to dive into that is, for each of these issues, our aspiration is to do more than just run a good company. We're actually trying to shift the systems that underlie each of these in fundamental ways, obviously, in collaboration with many others. We're this big in the grand scheme of things, but we do have assets we can bring to bear. So our aspiration is to shift the underlying systems in terms of the way business works, for environmental, social, and economic outcomes. And we

talk about that a fair amount in our brief, and I'll touch on that in a bit today as it pertains to workforce development. So let's dive in.

Kathleen McLaughlin ([07:26](#)):

So human capital, our aspiration, is this dual-sided aspiration. So for society, we are very committed to making retail a place for opportunity for people entering work, they can get a good start, get the skills they need, the experiences they need to advance into a whole variety of career paths, whether that's at Walmart or beyond, and that's an aspiration we're trying to bring to the sector. And I'll talk about that a bit in terms of getting employers and others to focus on developing talent that, maybe starting out as hourly people, put the same kind of investment into that part of the workforce as companies do in other parts of the workforce. And that's a really important focus of ours. And then for our own company, we create value by doing this because it allows us to attract and retain and develop outstanding talent at all levels of our company. And that's really what we're focused on. So we can meet the needs of our customer and also build a great company, so that's the dual aspect of our aspiration.

Kathleen McLaughlin ([08:35](#)):

And, why don't we go onto the next? Our strategy, just to give you an overview, has five parts to it. So, first of all, we want to be a leader in inclusion. We think that retail offers an outstanding entry point for people regardless of their background. And what we're trying to do is really make that a reality, have retail, be a springboard for advancement. And ultimately, build a company where our entire workforce from entry-level to the C-Suite reflects society. And I'll go into that in more detail and what our current results are.

Kathleen McLaughlin ([09:11](#)):

Second, growth. Another aspect of retail is it's not your grandfather's retail anymore, so we have career paths in technology, healthcare, supply chain, as well as retail management. So starting out in one of our stores or clubs or fulfillment centers is a great way into a whole range of paths. And so we have focused in the last five, six years on building one of the largest private sector, upskilling operations in the world in terms of the magnitude of what we're trying to do around skill-building. And I'll share some examples.

Kathleen McLaughlin ([09:47](#)):

And then wellbeing, and that's not just financial, it's also emotional and physical. So competitive wages, best-in-class benefits, healthcare packages that are affordable and innovative high quality. We're trying to lead in this area, and I'll share where we are and what we hope to continue to do. And then finally, digital, using digital assets, not only to improve the job experience of our associates, but make it easier for them to serve the company, and to serve the customers day in, day out and deliver our proposition and also using digital assets to help with our human capital strategy.

Kathleen McLaughlin ([10:26](#)):

So making it easier for folks to get skills on the job, bite-size credentials that can be delivered online in a 60-second video, those kinds of things. So those four are really core to our strategy for our own associates. And then, as I said, we try to go beyond that. So through additional actions at Walmart business initiatives, as well as philanthropy, so Walmart Corporate Giving, Walmart Foundation, we have a substantial program that we call Retail Opportunity that we've been running since 2015, where we're trying to make what we do the norm in the industry. So we'll talk about that some more.

Kathleen McLaughlin ([11:04](#)):

So let's go into each of these pieces. So first of all, inclusion. As I said, we're trying to build a Walmart for everyone and have our associate base be reflective of the communities where we operate. So let's go on and talk about some of the components there. So first of all, building diverse and inclusive teams, that's a really important part of our broader inclusion and equity strategy. And as I said, we have a separate issue brief on that broader strategy. Please have a look at it. But with respect to this one piece, so building diverse and inclusive teams, there are a few things that we prioritize.

Kathleen McLaughlin ([11:42](#)):

So first of all, access to employment. We are trying to remove artificial barriers to work. So, historically, employers have relied on two-year degrees, four-year degrees as credentials, evidence of a pedigree, evidence of certain skills, even if they're not really necessary to have those skills, we have removed that. Things like banning the box. We were one of the first retailers to do that and have invested over the years through philanthropy and engaged other employers through business to consider the same thing, so that people's records of previous incarceration shouldn't have any bearing on their future employment most of the time, so that's been quite important. And then, in COVID, we became a bridge employer for many people to get them through. People who lost their jobs as other businesses closed, could come to Walmart. We hired about 500,000 people last year in the midst of the pandemic. And that was a really important source of work for many people. And many of those folks ended up staying.

Kathleen McLaughlin ([12:49](#)):

Pay equity, this is also a critical component of our talent strategy. And we believe in pay equity. We have practices in place to protect it. I'll talk about some of those later, perhaps in the Q and A and importantly, as we've done our analysis to look at gaps, racial gaps, gender gaps, and so on. We don't have them, so we're confident that the things we're putting in place are actually bringing this to fruition, and it's something we continually reevaluate and monitor and extend.

Kathleen McLaughlin ([13:22](#)):

Third is the pipelines themselves and work that we do in hiring, in development, in promotions, in reviews, in the culture we're trying to create to help seed the pipeline in advance. Women, people of color, LGBTQ+, people with disabilities, any population that historically has been underrepresented, underserved, removing barriers, and helping people succeed. And I'll show you some stats around that in a minute. And then, really importantly, is engagement, voice, feedback, dialogue, amongst all of us as associates. So we have a number of mechanisms in place to capture people's ideas, suggestions, voice directly through formal channels, through informal channels, in person, digital, confidential paths. We have multiple arenas so that we can really encourage and draw out people's ideas and engagement. And a very systematic set of approaches then to act on the feedback. And I'll share some examples of that later, perhaps in the Q and A.

Kathleen McLaughlin ([14:29](#)):

One thing that I would like to underscore is respect for freedom of association, that is a matter of policy and practice at Walmart. Sometimes people are surprised to hear that, that's really important to us. We respect the rights of associates, all of us to join or not join a trade association, a union, some form of representation. And in fact, in the majority of the countries where Walmart operates, our associates have elected to be part of some sort of trade union or representation. That's really important to us. We invest in training to systematically ensure our managers in the field understand that, and that's the way

we operate. So let me just show you some of the stats around our talent pipelines, if you can go to the next page, thanks.

Kathleen McLaughlin ([15:19](#)):

And as I said, the business case is really clear on all of these things that we're doing. For this one, I think, it's well-documented now that diverse teams do correlate without performance in the market. And it makes sense. You're getting the best ideas. You're getting a diversity of ideas. People feel comfortable to bring their whole selves to work, their complete set of talents. And there are a number of practices that we have in place to advance people, remove barriers to advancement all through the pipeline. So one is culture, tone at the top, just the culture of Walmart. This goes back to the days of Mr. Sam, himself, that we're all associates. 75% of our management in the field began as hourly associates. Doug McMillan began as an hourly associate. Our chief merchant, Scott McCall, all began as an hourly associate. So we have lived experience in all facets of our business. It's very deep in our culture. We're all associates.

Kathleen McLaughlin ([16:21](#)):

And then specifically, removing barriers at the point of hiring, expanding our sources in terms of diverse sources of talent, having diverse slates, diverse interview panels. Posting every job that's VP or lower internally first, to draw out our own talent and create that pipeline and help people move up, before we go outside if it all needed. Lots of resources invested in developing capabilities of our leaders to lead in inclusive manner. So, awareness, but also skills to be a better leader and create a safer, more welcoming, open-environment where folks feel free to be themselves.

Kathleen McLaughlin ([17:03](#)):

And then we're a pretty data-driven company. So internal dashboards, individual accountability, the performance on diversity and inclusion is baked into the leadership expectations in our individual evaluations. I have a dashboard for my own team that shows exactly where I am, and I work with that with my team. So these are all practices that we have in place to have this be quite systematic. So how are we doing? Well, like pretty much all parts of society, we have a long way to go in terms of our representation, but here are some stats for you. And one of the commitments we made was to disclose our progress at a pretty granular level in our job categories at every frontline to management to C-Suite, even the board, twice a year.

Kathleen McLaughlin ([17:52](#)):

We just came out with our most recent update, our midyear FY22 updates. We're showing you that here relative to our FY21 disclosure. So you can see what's up, what's down. And obviously, in the short-term, you're going to have ups and downs. The long arc is going in a good direction, but I'll just call out a couple things here. You can see that women, there's been a lot of talk about this. We have a 1% decline of women in our workforce. We think there may be something happening in the broader economy based on what we're reading, but obviously, we see that, and that's something that we're on and saying, "Well, is there something different we ought to be doing?" I would highlight, on the other hand, officer representation has gone up a click. So, ups and downs, but the whole thing is moving in the right direction, if you look over a three-year stack. And then people of color, similar thing. We're looking at things like hourly to hourly promotions and asking ourselves, "Well, why did that slip a point? Yet, our officer representation's gone up?"

Kathleen McLaughlin ([18:50](#)):

So we have different puts and takes along that pipeline. And we use this data to dig in and see, "The practice is working. Is there something else we need to do?" Why don't we go to the next one? So let's talk about well-being. And for us, it's a broad concept. Financial, obviously, incredibly important, but physical and emotional well-being as well. And so our strategy, if we want to go onto the next page there, so we look at it holistically and our aspiration is to be absolutely competitive when it comes to compensation in local markets for apples-to-apples comparison of the type of job in the part of our business. And we believe we are, and I'll show you some stats around that. And then we aspire to differentiate ourselves on many of the other things here. So let's talk about that. We have a majority of full-time workforce. That's unusual for many retailers. Many retailers have a majority of part-time workforce. With the full-time workforce, we end up having people have higher take-home pay, because they're getting more hours. And that's important.

Kathleen McLaughlin ([20:03](#)):

Financial benefits we believe are pretty distinctive. I'll show you those in a second. Scheduling practices, this is another one that's very important. We do not do on-demand scheduling. So people have multiple weeks notice of their schedule. If they want a flexible schedule where they're setting their shift for a period and then changing it, based on life needs and so on. And they also have an option to opt into fixed scheduling. So for a quarter at a time, they have a fixed schedule, which many of our associates have adopted because it helps them arrange childcare and things like that. So, you've got your option. And with this device, which we've given or offered to all of our associates, so about six, 700,000 of our associates have phones that we have given them, everything they need for their job is on here. And they can use it personally, as well. They can trade shifts with each other, swap in and out, pick up a shift, trade one with their friend, that sort of thing.

Kathleen McLaughlin ([21:00](#)):

Paid-time off, this is another one that there is maybe some misinformation about. We have a really robust paid-time off program for part-time and full-time associates. And people earn that paid-time off as they work. A full-time associate, who's been here less than two years, can accrue two weeks worth of paid-time off, so 120 hours, which, if you divide eight hours a day, that's about 15 days of PTO. And that can be used for anything, sick leave, take the kid to the dentist, vacation, whatever people want to use that for. We also have something called protected, paid-time off. That's 48 hours of protected paid-time off. So, about six days worth on an eight-hour day basis. That means people don't have to schedule that in advance with their boss. Normally, if you take paid-time off, you work it out with your boss when you're going to take vacation and that kind of thing. But that's for, "Guess what? Somebody came down with strep throat overnight. I can't show up tomorrow," so that's protected paid-time off. So we've had that in place for a long time.

Kathleen McLaughlin ([22:06](#)):

And then with COVID, we layered on an additional leave that we call emergency leave and that's time off for exposure, obviously, for illness, over and above this paid-time off for exposure and so on. And I can answer questions about that if people want to talk about that. Let's talk about physical benefits. So affordable quality healthcare, \$30.50 a pay period. That's much more affordable than typical healthcare packages out there. And it gives people access to state-of-the-art services. And we have a team that is really trying to be at the Vanguard around healthcare. We've been written up in a case study by Harvard Business School for this.

Kathleen McLaughlin ([22:49](#)):

One of the programs, for example, is Centers of Excellence. So our associates, regardless of where you work in the company, get access to Mayo Clinic, Cleveland Clinic, the best facilities for procedures like hip replacement, heart surgery, these kinds of procedures, state-of-the-art and the healthcare coverage includes not only covering that procedure, but flying you to the site with a caregiver, your spouse or friend, or whoever's going to take care of you. That's all part of this for hourly workforce. So we think these things are really important. We're using digital to deliver things like Ground Rounds, doctor on-demand, even fitness passes in local community needs to subsidize your going to the gym and that sort of thing.

Kathleen McLaughlin ([23:35](#)):

And then finally, emotional services. So Thrive Global Resources for living. We saw a 5% uptick in usage of emotional benefits, services and supports, counseling services during the pandemic. So let me just show you some of the numbers on pay. I've had on some of these other points around benefits. If we go to that next page, just if we look at the left, a lot of times people focus on our absolute lowest starting wage in the country, which is \$12 for a job, but that doesn't mean everybody's starts at \$12. If you're a personal shopper in Tucson, Arizona, you're starting at \$13.90. If you are in our Sam's Club facility, you're starting at least at 15 and perhaps higher, depending on the role. If you're in our fulfillment centers, it's at least \$15 to start, if not more. So it just varies by role, and it varies by market.

Kathleen McLaughlin ([24:26](#)):

And then the average wage, as you can see in the second column, our goal, as I said, is to be absolutely competitive with what others are offering for that same role in that market or more. So, for example, if you look at our Walmart US jobs relative to grocers, we would be three, four, \$5 premium in some cases to what people are paying because in many places, folks are, in some cases, still at the federal minimum. In some cases, they've gone above that. We've seen recent reports of contracts getting negotiated coming in at 10.50 or 11, where we're starting at 12, regardless, of where you write as a minimum.

Kathleen McLaughlin ([25:02](#)):

And then what's important to note is the financial take-home pay for Walmart is higher than the hourly wage because we have non-wage sources of financial compensation. And that's what's in this other column. So about \$20 for Walmart, US, and Sam's and closer to 30 in our DCs and FCs. And that's because some of the other things listed on the far right. The discounts people get on purchases, the 401k match, the stock purchase plan. We have something like almost two thirds of our people participating in some type of stock purchase plan, and that's across the associate base. So these things are used by our folks and appreciated. And we've been really, really focused since 2015, when we launched all of this human capital strategy that we call retail opportunity on all of these pieces. And I just point out we've raised wages 65% since 2005, '15, 2015, our starting wage at a time when federal minimum hasn't budged. So we're trying to lead on this, we're trying to move forward. We're trying to invest in the jobs and in the places where it's matters for our customer and our business and our associates.

Kathleen McLaughlin ([26:18](#)):

Let's go on. I'm going to just touch quickly on growth. And I do want to get to Q and A. So growth is a really important part of our strategy. If we click forward, as I said, this is one of the places where we're trying to differentiate. So we have invested in redesigning our jobs, putting people into teams, creating

career paths with stepping-stone advancement so that folks can promote from within. So wherever you start, you can get the skills you need to go to the next click and have a diversity of career paths. We've also provided a significant on-the-job training program through the day-to-day coaching that everybody gets, as well as Walmart Academy, our specialized training for advanced roles. We had 95,000 people go through that last year, and people can earn college credit for the courses they do at Walmart Academy.

Kathleen McLaughlin ([27:12](#)):

We're using VR and AR, as well, to augment the Academy and bring it into the stores and train people in different ways, soft skills, hard skills, et cetera. And then access to education. It's been important for us and for associates, and this was an idea that came from associates to offer access for adult-working learners that is job-relevant. It's affordable, it's free. And we focus on completion. So we provide coaching, and we track ourselves based on how many people are actually completing this. So it is two-year and four-year degrees that are job-relevant, supply chain management, retail management, computer programming, that sort of thing, but also certificates in optical, in pharmacy. We have people go through this and then get a promotion into the pharmacy department or into the optical department or into our technology department.

Kathleen McLaughlin ([28:01](#)):

We also added trades based on feedback from our associates. And obviously, we don't hire construction workers ourselves, but in the markets where we operate, we're in 2,000 counties in America, there is demand for people in the trades and some of our associates choose to go that path. What we're most excited about is the uptake among women and people of color. And I'll just show you some stats on the next page on this one. If you look at the far right, in terms of what we call Live Better U, that's the education program. You can see the completion. So we've got about 3,500 folks that have actually completed.

Kathleen McLaughlin ([28:37](#)):

And some of these programs are new. We just started them a year ago, two years ago, three years ago. So we're excited about that progress. The people who go through this, as we've had studied from the outside by Lumina Foundation, get promoted more often and have higher performance ratings. So we're excited about what this shows. And what's, I think the best part of this is the participation of black and African American associates, women, and so on reflects our total associate base. And just to give you one stat, black and African American people going through LBU are twice as likely to stay and get promoted as an average associate. So we think it's also a great springboard for inclusion. Last thing I'll mention on this is that we typically promote about 200,000 people a year, and we're working on raising that number. Most of our roles are filled by people from within. And as I said before, 75% of our management started as hourly people.

Kathleen McLaughlin ([29:39](#)):

Let's talk about digital real quick. So as I mentioned, this is really important to make the quality of the job better, serve our customer better, drive our productivity, all of these things. And we've also created new roles because of digital technology. A lot of people have written about future of work and will automation take away jobs, and so on. What we found so far is it just change, is the nature of the job. It actually creates some better jobs. So these personal shoppers, 160,000 people, new jobs that we added to be personal shoppers and other things that are using technology to serve our customer better. And as

I mentioned before, we've given our associates phones to use as productivity devices in the store, but also for themselves. So those are just a couple examples.

Kathleen McLaughlin ([30:27](#)):

Last point and then let's go to Q and A. We are working in the broader field to try to improve workforce development for hourly people, in general. There are three parts to where we've been investing. We've invested over \$130 million in philanthropy, in giving, as well as bringing other assets to bear, our leaders and our convening and so on, advocacy, around innovative learning models. So experimenting new ways for adult-working learners to pick up new credentials and skills, engaging employers to make this a movement and then building a broader system of badging and credentialing and so on.

Kathleen McLaughlin ([31:03](#)):

So let me stop there. I ran a little bit over on time. I apologize. I tend to be long-winded, those of you who know me, so I apologize. Now, Dan, let's go to you. Let's get to the Q and A.

Dan Binder ([31:15](#)):

Great, thanks, Kathleen. So our first question is around diversity. And the question is, are you seeing the kinds of results you want to see on diversity? What are your success metrics?

Kathleen McLaughlin ([31:33](#)):

As I said, yes and no. I mean, I think pretty much everything we're working on, whether it's human capital, racial equity, climate, we see signs of success. We are making progress in society, in general, we all have a long way to go and Walmart's no exception. So what we're tracking is what we're disclosing every six months, which is the data on representation, on promotion rates, by level in the company, and by different class. So women, Asian Americans and so on. So please have a look at that. You can see we're looking at three-year trends, and then we also look at the interim and where we see wobbles. We type in and see, "Is there something different, systematic that we got to work on here?"

Kathleen McLaughlin ([32:16](#)):

So that's what we're tracking, but we also track on a qualitative basis, just culture. We do the associate engagement survey, which gives us data on how people are feeling. And inclusion's a big, important thing as well. And that, actually, is pretty positive. So, it's both qualitative in terms of the culture and do people feel that they belong as well as the data that shows the outcomes, and we're encouraged by the progress. But we've got a ways to go, for sure.

Dan Binder ([32:47](#)):

Our second question is on wages. And the question is, what are your plans to raise wages, particularly with some of your competitors starting at \$15 per hour? Are you engaging with peers, trade associations, and other organizations to help raise the wage floor, especially, for low-wage workers in the grocery retail sector?

Kathleen McLaughlin ([33:09](#)):

Well, as I was saying earlier, our goal is to be competitive for specific roles in specific markets and be at least at the level of what the market is at, if not above. So that's our focus, and you can see, based on what I took through before, that what that means then is the \$12 that people often talk about for

Walmart. It's not like the average wage or what everybody starts at or what have you, that is the lowest starting wage for any job in the country. And that has come up 65% since we started all of this back in 2015. Many other jobs have higher wages. You could see our average across our whole fleet is \$16.40 for the hourly wage. Then we have these additional components of compensation over and above that.

Kathleen McLaughlin ([34:04](#)):

So our goal is to be competitive. We do think that the floor needs to go up in the United States. We've said that many times. Doug has talked about that, he chairs the Business Roundtable, and the Business Roundtable has stated that as well. I think Doug, as recently as the ICM, talked about that, the investor community meeting earlier this year, that that is a policy goal of ours to see happen. And we do engage folks in it. There's a lot of work that we have done as well on workforce development. So the multiple pathways initiative of the Business Roundtable, the Rework America, business network and so on. So we're trying to work both sides as have a higher floor, but get people focused on mobility as well and skill- building and helping people realize their dreams. Because it's about compensation, but it's also about purpose, and where can people go in their careers?

Dan Binder ([35:02](#)):

Our next question is on labor relations. And the question is, we have taken note of your poor ratings from certain ESG raters on labor relations and wonder what your response is. What steps are you taking to help make sure associates feedback is heard and that management is responsive to it?

Kathleen McLaughlin ([35:24](#)):

So our scores on different ESG ratings tend to vary pretty widely depending on the methodology and what people are focused on. So what we find is on the instruments that are focused on benchmarking of practices or outcomes, we do really well. Some of the things that I think people may be alluding to, there are some rating schemes that are heavily reliant on what people call "controversies" and that methodology is challenging for a large company, in general and for us in particular, I think for a few reasons. So the controversy methodology tends to go out and scrape media mentions and social media and so on, and just gather up on an absolute basis, mentions of a company in an unfavorable light. So a larger company, just by virtue of the scale, is going to have a lot of mentions regardless of what's happening on a percentage basis.

Kathleen McLaughlin ([36:21](#)):

So, just to give you a feel for it, with one and a half million associates, if you just said 1%, 1% of our one and a half million people, that's 15,000 individuals. So just the law of big numbers there. And another challenge with that is it's pretty susceptible to manipulation by campaigners. So there are a lot of groups out there that have goals around social outcomes or environmental outcomes, many of which we completely agree with, but there are approaches to campaign, and it's easier and more beneficial to target a big company because you'll get the media mentions, you'll get the press and so on. And we've had that happen to us a number of times and happy to go into some specific examples, but that's challenging. And sometimes in these instances, campaigners will gin up allegations that are false. Or they'll talk about things that they think are going to happen that never do happen. But it generates articles, it generates press coverage. And then that shows right up into the controversy score.

Kathleen McLaughlin ([37:25](#)):

And if you look at the actual records on some of these things around labor relations that just take NLRB, we have a tiny, tiny fraction of what you'd expect we'd have just given our scale in terms of anything to that ever gets brought before the NLRB. And the vast majority of things that do get brought up in that small number of cases are dismissed or withdrawn very quickly. So, again, I'd say, look at the facts versus what's the basis for the controversy rating. It is something that we are taking on, some of you investors have said to us, "Hey, why don't you sit down with these guys and go through?" And we will, but it's sort of litigating every single article that's ever been written that someone alleges, so it's going to take some time. So we're working through that.

Kathleen McLaughlin ([38:13](#)):

And then I would just say in terms of labor relations in general, a few things I didn't mention in the overview, this is really about culture and practices and policies. And this goes back to Mr. Sam and has always been true that at Walmart, it's a company of associates. We're all associates. We work together. And the mechanisms that we've put in place to engage and get ideas from associates, get suggestions, draw out complaints, all of these things, they are many, many. So there are in-person one-on-one modes of engagement based on the morning huddle and getting together with your teams. And those happen day in, day out in the stores. And those are a big mechanism to capture people's ideas and suggestions.

Kathleen McLaughlin ([38:59](#)):

Then we have what's called an open-door policy and practice that goes back years, which is if for whatever reason, an associate feels that what they raised there didn't land well, or didn't get responded to, an associate can go to anybody else in the company and raise that issue right up to Doug McMillan and no retaliation. That is a policy. We enforce it. People are free to raise issues through the open-door process.

Kathleen McLaughlin ([39:23](#)):

We have the associate engagement survey, which I mentioned earlier. That's a formal mechanism where we capture scores. We had 600,000 people participate in that last year. And we get write-in responses and those are reviewed and acted on and so on. And I've worked in retail a long time, my past life before Walmart, the kind of scores that we're getting on our AES are as good or better than anybody in terms of engagement and happiness of our associate base. And then we're testing a lot of digital mechanisms too. I talked about the phone, we've got an internal workplace and other forms of social media that people can express their views and so on. And then we have anonymous channels. So the ethics hotline is an example, 24/7, multiple languages. People can call in and say, "Hey, listen, this happened." And it's held confidentially. It's considered triage, investigated depending on the nature of the issue. So those are multiple mechanisms.

Kathleen McLaughlin ([40:21](#)):

And then what we have in place is the whole set of mechanisms to take in that feedback and act on it. So listening tours, by our leadership teams in the field and by executives. Ways to bring in the feedback from the AES. And each of us, I do this with my own team. We have management action plans that come out of the AES, the associate engagement survey, where we get followed up on, "This is the feedback. How did you action it?" And so on. And just some examples of feedback from associates that have landed in policy. One would be, Thanksgiving is now a holiday at Walmart this year. Last year, that was an idea from an associate that somebody raised with John Furner. Adoption benefits, we provide \$5,000

and other things to help people adopt. That was an associate idea. Updating our code of conduct. There was a lot of input from across our associate base around that, and we put that in. So these are all important ways to just stay with the finger on the pulse and always have dialogue going across associates in the company.

Kathleen McLaughlin ([41:30](#)):

And then, finally, we recently merged our labor relations and associate relations teams. Used to have them separate, but then we realized it's all the same thing. Has to do with engaging with each other and lifting the culture and responding to ideas and suggestions and so on. And so that's now led by an integrated team, and a big part of their mandate is training out there amongst our leaders. So they have delivered 150,000 trainings of supervisors just this year, so far around all matters of associate engagement, including what I was talking about before, which is freedom of association and rights of associates. And that's really important to make sure we're creating that culture throughout the company of engagement and response.

Dan Binder ([42:17](#)):

Great. Next question is related to COVID workforce trends. And the question is, there are a few macro [inaudible 00:42:26] trends flowing out of COVID, including women leaving the workforce and a tight labor market at the entry-level. To what extent are these impacting Walmart?

Kathleen McLaughlin ([42:39](#)):

I think in terms of the women's engagement in the workforce, we've probably all been reading the same articles and all this discussion of the great resignation and so on. We haven't seen it come through for us in terms of general hiring, but I showed you that stat about women's participation in our workforce. It's down a percent. I haven't seen stats for the country as a whole, for the workforce as a whole. So, I mean, you could look at those and just understand the comparison. I can say for myself as a woman, I have struggled in this pandemic, because I've been at times having more around the home and at work and challenging ways of working and so on. So I think, it is an issue in society overall and one that we're really paying attention to and obviously, engaging women and others within our company to understand. So what is the experience? What can we learn having gone through this pandemic? And then, what might we put in place going forward?

Kathleen McLaughlin ([43:42](#)):

Our focus through all of it really remains in having the best value proposition we can for associates, all associates and at any time, whatever the trends, listening to what's on people's minds, and how can we take that into our proposition and make our proposition or compelling and more effective for our associates?

Dan Binder ([44:00](#)):

Our next question is regarding investing. And the question is, how do you balance investing in human capital with investments you are making in technology and automation?

Kathleen McLaughlin ([44:11](#)):

Right. Well, so our CapEx and our OPEX for technology, for our automation, for our associates, the wage investments we've been making and so on, obviously, are factored into our guidance. So they're baked in, and they're really of a piece. These things are all related. So I actually wouldn't even view them as

trade-offs. A lot of the things that we've put in place through technology are the things that have allowed us to create exciting new roles for our associates and new jobs.

Kathleen McLaughlin ([44:43](#)):

I talked about the personal shopper, as one example, but even roles in the fulfillment centers and distribution centers, other parts of our business because of the technology and the automation, it's made the work better. It's allowed us to lift up certain roles and move them up the ladder in terms of compensation and so on. So we see these things as quite interrelated. We did pull forward some investments on technology and automation into this fiscal because of the strength of the company and our feeling that now is the time to invest and further strengthen our competitiveness. But it's done in quite an integrated way. And we think that together, they make our company even stronger in terms of customer service and growth.

Dan Binder ([45:32](#)):

The next question is a COVID-related question as well. We want to understand the impact of COVID on Walmart's human capital strategy, including which short-term and long-term changes were introduced to protect associates and whether any benefits were enhanced over the long-term as a result?

Kathleen McLaughlin ([45:53](#)):

So in terms of the COVID benefits that were introduced, a whole variety of things, and we have a very in-depth issue brief just on COVID on our investor website. So please do have a look at that. And if you have trouble finding it, I think it's pretty prominent, but let us know. There's a bunch of things we put in place. So our first concern was the safety and well-being of associates. Can we even operate in this environment? And so we did a lot of things. In terms of creating this emergency leave for COVID, as I said, it's a couple weeks off if you've been exposed or told to isolate. It's paid, and you can use it multiple times. So if you had an incident in April and then something else happened again in June, and it's not like you run out of that. So obviously, to keep people safe, that's been quite important. And that's on top of the regular paid-time off, that I talked about earlier, that has continued, of course, throughout all of this.

Kathleen McLaughlin ([46:52](#)):

Lots of physical things that we put in place, sanitizing and cleaning overnight, physical barriers, different points, depending on local guidance from health authorities, there has been metering and other physical changes to the stores, health screenings, temperature checks, masking, all of that. And throughout, we've been following the guidance of the CDC and local authorities, which really do vary from place to place. We eliminated co-pay for things like doctor on-demand. We started offering free virtual counseling to folks. As I mentioned, there was a click up and demand for mental health services, in general.

Kathleen McLaughlin ([47:35](#)):

And then we also gave incremental pay to people in the form of bonuses. And the reason we did that is we didn't want people to feel they had to come into work to earn the money. We didn't want to make it an hourly thing because the whole point was to recognize people for the extra effort and so on and not have them feel that they have to come in if they don't want to, so we did all of that. Those things were all based on the pandemic and related to the conditions of having to operate in this time.

Kathleen McLaughlin ([48:00](#)):

In terms of what might carry forward, I think, there's a couple things. One is, this whole experience is absolutely reinforced the importance of affordable healthcare and our team that works on that package. I told you about some of the innovations, the efforts are redoubling, that is important. And the fact that we offer that to people, that's really important and is something we'll double down and continue. Second, obviously, reinforcing the importance of our PTO pre-COVID and the need to continue that and give people that flexibility. The importance of the mental health services.

Kathleen McLaughlin ([48:38](#)):

And then from a business perspective, COVID dramatically accelerated our plans for grocery pickup, contactless delivery of things into people's homes and so on, validated the opportunities that we have in healthcare and so on. So I think in terms of workforce, it's going to end up creating even more exciting career paths for people, different kinds of jobs that are available and different career paths. And then finally, I would just say, reinforcing the importance of flexibility and balance in work. So our approaches to scheduling, our approaches to these other benefits, they, I think, have become an even more compelling part of our proposition for associates

Dan Binder ([49:24](#)):

Good. Our next question is about board oversight. And so the question is how does Walmart's board overseeing human capital? What visibility does it have today? And what future challenges does it anticipate grappling with?

Kathleen McLaughlin ([49:37](#)):

So, the compensation and management development committee oversees our human capital strategy. And the way that our board meetings tend to work is there's a first day with committees and second day full board. So they go in-depth on the human capital strategy and issues, and it's everything we've talked about today, so it's oversight around the pay and the benefits, our inclusion and diversity strategies and performance, the education, the investments we've made in things like Live Better U, the COVID practices and policies and so on. So all of those things, and then those get brought to the full board for discussion. And there have been times on specific decisions and so on, that the full board has provided perspective. So certainly the COVID approaches and the education investments and the wage investments and so on.

Kathleen McLaughlin ([50:31](#)):

So it is a high, high priority issue for our board. They get updates and reports from management, from Donna Morris and her team around people strategy and so on, at each of the main meetings from our teams that work on different aspects of this, not only within Walmart, but beyond in society, it's a topic of conversation at every committee meeting. That's one of their primary focuses as set out in their charter or their terms of reference, so.

Dan Binder ([51:06](#)):

Our next question is KPIs. And the question is, how are you thinking about future KPIs around human capital? Are you considering turnover rates generally, or turnover rates with racial groups or by gender? And we did have a lot of questions on turnover. So we're trying to capture all that in one question that was submitted.

Kathleen McLaughlin ([51:27](#)):

Turnover, as I mentioned, before I came to Walmart, I worked with a lot of different retailers as a consultant for a little over 20 years. And turnover, it's the challenge with turnover is it's a pretty noisy metric depending on whether you ring-fence it for people of a certain tenure or certain kind of roles and so on, especially in retail. There can be a lot of noise, especially in the first couple months because sometimes people seek out retail as a bridge employment or for a variety of factors. So it is something that we're looking to see, how are people defining a turnover metric that would be apples-to-apples considering a very different retail formats, grocery format versus a club format versus say DCs and FCs and so on.

Kathleen McLaughlin ([52:17](#)):

So is it better to segregate? Is it better to look at it overall? I don't know. So we're looking at SASB obviously, looking at the way other people are starting to define it. Some folks, George Serafin is a good example at Harvard doing interesting work in the whole human capital metrics arena. So we're looking at it. We're trying to figure out what would be the most representative number that wouldn't be noisy and just mislead people in terms of what's going on. And then we do track different versions of turnover internally, obviously. And when one of the things that we found that's exciting is, for example, these investments that we've been making over the last few years in human capital. So the wage investments, the Walmart Academy, Live Better U, the healthcare benefits and so on, we can disaggregate them and see some correlations to turnover.

Kathleen McLaughlin ([53:06](#)):

And, for example, we just had Lumina Foundation, did a third party assessment of Live Better U, just this one piece of our program and found that people who have gone through Live Better U or in the middle of it, have four times lower attrition than the average associate. I mean, that's phenomenal. So it gives us confidence in pieces of what we're doing. Another one is people have gone through Walmart Academy, 80% of the people who go through Walmart Academy have an extra year of tenure, an extra year of longevity retention, so it is something we look at. The question is, what version of it would we disclose so that it would be meaningful to all of you, so. Happy to take feedback on that if folks have thoughts and recommendations on that one.

Dan Binder ([53:57](#)):

Next question is regarding pay equity disclosure. And the question is, noting that the company has made a pay equity disclosure and has committed to including international markets in the future. Has Walmart considered doing a pay-gap report similar to the UK gender pay-gap report?

Kathleen McLaughlin ([54:19](#)):

So pay equity is important priority for us, because it's a bedrock of the inclusion strategy and pretty vital to get the outcomes you want. So as I mentioned, the way we've come at, it is a couple ways. One is practices we're putting in place to preserve pay equity. And then the other is disclosing how we're doing on an apples-to-apples basis. So in terms of the practices, some of the things that we've put in place are, for example, interview training, removing any questions about salary history when folks are interviewing. Having the diverse slates for positions and diverse interview panels, as well, we think these are all important in terms of the hiring stage. And then, even the evaluation and development stage, looking to ensure we don't have systematic differences in how people are being rated and promotion decisions and so on. So those are all the practices.

Kathleen McLaughlin ([55:16](#)):

And then on the disclosure part, we think the most valid, important way to look at this is job-for-job level-for-level, market-for-market. So that's why we're trying to do the analysis of pay equity on that basis. And as I mentioned, when we've done that in the US, we show no systematic discrepancy and then disclosing how we're doing on representation at the different levels in the company. So, entry level management, officer ranks, C-Suite, even the board, what's the representation? So that's how we're coming at it. And I recognize that some companies, especially in Europe, have done this more kind of aggregated basis, but we don't think that's as useful as looking at it on a job-for-job kind of apples-to-apples basis, which is where we're focusing.

Dan Binder ([56:13](#)):

So Kathleen, that brings us up on the hour here. We're going to conclude the meeting, and we want to thank everybody for joining us today.

Kathleen McLaughlin ([56:24](#)):

Thanks [inaudible 00:56:25]. Thanks everybody. And I guess, if there are questions on your mind that we didn't get to, please do flow them through to the investor relations team, it'll be helpful feedback for us. And also if you have any feedback on this format, as well, that would be great for us to know, because we'll take it into future webinars and into our disclosures. So we really appreciate your time. Thank you.