

Remarks as Prepared for Delivery
Mike Duke, President and CEO of Walmart
Sustainability Milestone Meeting
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Thank you.

You know as I was listening to Leslie's presentation, I was just struck by how far we've come over the last few years and how sustainability has become a part of everything we do.

We continue to learn so much from our network of partners ...our suppliers, NGOs, and of course, our associates.

I appreciate that so many of you made the trip to be with us today. I also appreciate all of our associates watching from locations as far away as Brazil.

And I have to tell you what I most appreciate is what this record attendance says about our common commitment to sustainability.

It feels good to work together and make a difference, doesn't it?

But you know, this wouldn't be a Walmart meeting if I didn't ask us to look beyond the headlights once again and take a long view into the future.

Most of you know that I'm a retailer at heart, but you may not know that I'm an engineer by training. My Georgia Tech roots run deep... And the engineer in me likes data. I like research. I like metrics. More than anything I love an elegant process for arriving at innovative solutions that are both profitable and sustainable.

As I look back at our progress over the past few years, I think the most difficult challenge has been to measure the sustainability of our products. It's in this area where I believe we can truly accelerate and broaden our efforts in sustainability... with a more elegant, research-driven approach.

Today, I will lay out the groundwork of a major new initiative that can lower costs, raise quality and bring customers the products they need to save money and live better in the 21st century. And, in the process, make us a better business.

I believe this initiative will allow us to build on all we've already accomplished together. And it will enable us to get ahead of several shifts that are changing our businesses and our world.

Let me first talk about why we should get in front of these changes. And then I'll move into the specifics of the announcement.

Society's expectations of retail are changing in three fundamental ways.

First, the economic crisis is leading consumers toward a "new normal" where they not only want to save money... they are getting smarter about saving money.

Second, in this age of social networks and instant information, consumers increasingly expect more transparency on the products they buy. Today, there is no trust without transparency.

There's a third...longer term shift. We're living in a world of increasing population and decreasing natural resources.

6.7 billion people now live on this planet. Every second, four new human beings are born and the global population is expected to reach more than 9 billion by 2050.

That means new generations of consumers in both developed and developing countries will aspire to the middle class. More families at kitchen tables around the world will count on fresh foods and quality products to make their lives better.

At the same time, the human footprint... our use of natural resources for everything we grow, eat, drink, make, package, buy, transport and throw away... all of that is outpacing the earth's capacity to sustain us.

As more people reach for a better life, there will be even greater pressure on the planet's resources...with more energy usage, more carbon emissions and more waste.

Experts, like the World Wildlife Fund, say that if our environmental demands continue at the same rate, we will need the equivalent of two planets to maintain our standard of living in another 25 years.

Now does that mean we have to turn off the lights and move into caves?

Does it mean that all those people who aspire to the middle class, don't deserve a better standard of living?
Of course not.

Fresh food...quality products...shouldn't be available to only a privileged few, they should be available to all. That's what we do. It's who we are...our brand, our mission in this world.

What this *does* mean is that we have a responsibility to our customers and to society to keep the “live better” part of our mission relevant in a changing world.

Last week, I had a chance to visit one of our local return centers, and it was just amazing to see thousands of products that were defective or did not live up to the quality standards that customers expect from us.

I look at every item and I think of it as a disappointed customer. What could be worse for sustainability than having to buy the same product twice?

Customers do want low prices, but not by sacrificing quality. They want products that are more efficient, that last longer and perform better. And increasingly they want information about the entire lifecycle of a product so that they can feel good about buying it. They want to know that the materials in the product are safe... that it was made well... and that it was produced in a responsible way.

We do not see this as a trend that will fade. Higher customer expectations are a permanent part of the future. At Walmart, we're working to make sustainability sustainable, so that it's a priority in good times and in the tough times. An important part of that is developing the tools to help enable sustainable consumption.

Now remember when I said that the engineer in me likes data and an elegant process? That's what we need.

Despite all the work that's been done, we see only bits of information, but not the full picture across the supply chain. We don't know the patterns, hidden costs and impacts of the products we make and sell. Nor do we have a single source of data or a common standard for evaluating the sustainability of products.

If we want to help the customer of the future live better, we need that data. We need that big picture view.

So today, we're announcing that we will lead the creation of a Sustainability Index. The Index will bring about a more transparent supply chain, drive product innovation and, ultimately, provide consumers the information they need to assess the sustainability of products.

If we work together, we can create a new retail standard for the 21st century.

We will roll out the Index in three main steps. Some of the work will start right away. We expect the rest to happen over the next five years.

As Step One, Walmart will ask all of its suppliers to answer 15 simple, but powerful questions on the sustainable practices of their companies. In the United States, we will ask our top tier suppliers to answer quickly. And internationally, each country will work with its suppliers on developing timelines.

Like our customers, we now expect more of ourselves and our more than 100,000 suppliers around the world.

So as a first step in moving forward with the Index, our buyers will provide every supplier with a tool to assess their own sustainability.

We will ask questions around four areas:

1. Energy and Climate
2. Material Efficiency
3. Natural Resources
4. People and Community

Under these buckets you will see familiar questions. For example, you will see that we are asking our suppliers to know the location of 100% of their factories and we are asking if they're measuring their greenhouse gas emissions.

You will also see some new areas that we are asking about, including water use and solid waste.

These are not complicated questions, but we have never systematically asked for this kind of information before.

You'll hear more from John Fleming about this in a minute.

We see these questions as an important first step in assessing the sustainability of suppliers. But for true transparency, we need an additional, much larger tool for assessing the sustainability of products.

So today, we're also announcing as a second step that Walmart is helping to create a consortium of universities that will collaborate with suppliers, retailers, NGOs and government to develop a global database of information on the lifecycle of products...from raw materials to disposal.

Walmart has provided the initial funding for this Sustainability Index Consortium, and we invite all retailers and suppliers to contribute. We will also partner with one or more leading technology companies to create an open platform that will power the Index.

Let me say this clearly. It is not our goal to create or own this Index. We want to spur the development of a common database that will allow the consortium to collect and analyze the knowledge of the global supply chain.

We think this shared database will generate opportunities to be more innovative and to improve the sustainability of products and processes.

It will shift us from traditional retail thinking that is centered around the things that we know we can control...like transportation, packaging and sales...to the invisible impacts on the environment. This will give us a much deeper understanding of the opportunities to making consumption more sustainable.

The third and ultimate step of the Index is to translate the information stored in the database into a simple tool that informs consumers about the sustainability of products.

This will provide customers with the transparency into the quality and history of products that they don't have today. It will help put them in control and consume in a more sustainable way.

In a moment, our chief merchants for Walmart, Sam's Club, and International will tell you more about what this means for them. You'll hear more throughout this meeting about work that's already underway. And you'll learn about products that represent the kind of innovation we hope the Index will multiply.

Now I know that some of you may be thinking... the last thing we want is a series of new, costly scorecards that add little value ...with hundreds of iterations for hundreds of different retailers.

I couldn't agree more.

So, we will be working with all of you to develop the right information. We want to make sure the database focuses first on the product categories where we can get the most value and benefit. And information that is proprietary will remain that way.

I want to make an important point here.

We can't do this without partners. This cannot and should not be a Walmart effort. It can't be a U.S. effort. To succeed, the Index has to be global. It has to involve many stakeholders as vital partners.

I want to call on all of us... retailers, suppliers, NGOs, and universities... to work together to create the Index, to share our information, and to shape it into a powerful tool.

In the end, it's all about doing an even better job for our customers.

If we get this right...

...the Index will drive higher quality and lower costs.

...It will mean more innovative products that lower carbon output...that promote clean air and water...and that create a more transparent and responsible supply chain.

...And it will make us even stronger businesses, bringing us ever closer to our customers and what they need to live better ...20...50...100 years from now.

Thank you for your partnership.

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