



March 2008

Envisioning a Sustainable Future

Lee Scott announces goals for energy efficiency and supply chain



China Sustainability

Two-day meeting held in Shenzhen

HE.5 Opens

Most energy efficient U.S. retail store opens its doors

Let the Contest Begin!

First Sustainable Business Plan competition is April 18

Becoming a Better World Citizen

Company to focus on making products more efficient, leading the way in supply chain standards

Wal-Mart didn't get where it is by being a follower. Continuing in this bold tradition of being non-traditional, Lee Scott kicked off the year for Wal-Mart and Sam's Club managers outlining some ambitious plans for the company. The plans mark Wal-Mart Stores, Inc.'s, role as an innovator not only in retail, but in greater society by tackling the problems that affect our country and the world.

"Leadership is not about looking over your shoulder and living in the past," Lee said at each division's Year Beginning Meeting in January and February. "Leadership is about looking over the horizon and envisioning the future."

What does that future look like for Wal-Mart? Becoming a better world citizen in three specific areas: Energy efficiency, supply chain, and health care. Let's look at how we plan to make a difference in the two areas that pertain to environmental sustainability – energy efficiency and supply chain.

A More Energy Efficient Future

We are seeing our customers have to choose between filling up their gas tanks or buying food – with no end to rising energy costs in sight. We have a unique opportunity to extend our mission of saving people money so they can live better to helping people save money by saving energy.

Our goal is to work with suppliers to make the most energy intensive products in our stores – no matter where in the world they are – 25 percent more efficient within three years. We're not sure if it's even possible to make something like a hair dryer use 25 percent less energy, but partnering with suppliers to get things done has proven successful time and again for us. If we were to achieve this goal, we would save enough electricity to power 3 million homes per year, or the equivalent of 10 million barrels of oil.

Lee announced initial steps we hope to achieve by 2010:

- Every air conditioner we sell in the U.S. will be Energy Star certified
- All flat-panel televisions will be 30 percent more energy efficient

However, offering sustainable products can only make a difference if our customers can afford them. Or as Lee said, "We do not want our customers to have to choose between products they can afford and energy efficient products."

We are committed to bringing everyday low prices to energy-saving merchandise. For example, we recently rolled back the price of 3M Allergen Air Filters by \$2. Clean air filters save energy because heating and cooling systems do not have to work as hard to heat or cool a home. In the coming months, we will work with suppliers to reduce prices on more items.

Our goal is to double the sale of products that help make homes more energy efficient. If we double the amount of weather stripping we sell, for example, we can save customers \$285 million in heating costs and save the energy equivalent of more than 4,000 tanker trucks of gasoline. What an opportunity for us to help our customers save money on energy!

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Becoming a Better World Citizen

Company to focus on making products more efficient, leading the way in supply chain standards

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Supply Chain of the Future

Lee also addressed the issue of sourcing and supply chain – or the process of getting goods from manufacturers and suppliers to our customers. Safety and quality are always of the highest importance at Wal-Mart and Sam's Club. As the leading global retailer, Lee discussed Wal-Mart's efforts to lead the way in product safety and inspections.

Wal-Mart has publicly called for one set of social and environmental standards for all major global retailers with one third-party auditing system for everyone, instead of the different standards and inspections that exist today. This would ensure consistent standards and improvements across the board in factories. Wal-Mart is working with CIES, the leading global retail and consumer goods network, to achieve this vision. The effort is now focused on social standards at supplier factories. We believe it should be expanded to environmental standards. Lee called for all major global retailers to join this effort.

Lee also committed the company to these actions:

- We will require all suppliers who work with us through global procurement, who are domestic or importers, or who manufacture Sam's Club or Wal-Mart private brands, to demonstrate that their factories meet specific environmental, social and quality standards. We have already started doing this, and we hope to extend the requirements to all of the above-mentioned suppliers within three to five years.
- We will only work with suppliers who maintain our standards throughout our relationship, so certification and compliance will be part of our supplier agreements.
- We will favor – and in some cases even pay more – for suppliers that meet our standards and share our commitment to quality and sustainability. Paying more in the short term for quality will mean paying less in the long term as a company.

Ultimately, we would like to see this as an industry-wide effort. But if it is not, Wal-Mart will in fact lead. We will move forward by ourselves. We do not wait for someone else to solve problems that might hurt our business or affect our customers in a negative way.

(More about our international sourcing efforts, sustainable products, and other corporate sustainability progress can be found on the pages of this issue of S*Mart).

Going to the Source

Associates meet in Shenzhen to kick off new focus on China Sustainability

One of the major focuses of Wal-Mart Stores, Inc., remains half a world away from Bentonville, Ark., in the stores and factories of China. The country plays an important role in global sourcing as a major manufacturing source.

Wal-Mart is adding a stronger focus on China through its China Sustainability Initiative. The initiative will integrate retail operations in China, global procurement, and U.S. Sustainable Value Network activities that involve China. About 70 people from Wal-Mart China, Wal-Mart U.S., Global Procurement, Trust-Mart, and non-governmental organizations held a two-day kick off meeting in Shenzhen, China, in February to establish the process and new network structure to address the most pressing environmental issues that we and our suppliers encounter in China.

The partnership between the China and U.S. retail operations and global procurement will position our company to address similar issues in an integrated manner. For example, efforts to eliminate waste can be focused on store waste on the retail side, while global procurement can work on the waste in the supplier stream.

The group identified six potential networks and some 30 high-potential projects to address sustainability challenges that correspond to Wal-Mart's corporate goals and the Chinese government's goals:

- Energy Efficiency
- Waste/Packaging
- Standards
- Textile Supply Chain
- Electronics Supply Chain
- Education and Events

Representatives from several of the U.S. Sustainable Value Networks attended the summit in Shenzhen. "We were able to share with them some of our experiences," said Kim Brandner, captain of the Textiles Sustainable Value Network. "We gave them information on what we've learned about the scorecard process, alternative fibers, vendor training, waste management, how to package products to call out sustainability, and other things.

"Some of their issues will overlap, and some will be unique to them," Kim said. "Everyone there was excited to make a difference."

The six teams are doing further research on the projects identified during the meeting. On April 14, they will reconvene to determine next steps. We expect to announce more specific details about the focus of the China networks later this year.

Wal-Mart China Sets CFL Sales Target

Wal-Mart China is working hard to bring products that sustain our environment into the lives and homes of its customers. For instance, the company has promoted compact fluorescent light bulbs (CFLs) since last year. In 2006, Wal-Mart China sold over 400,000 CFLs, which will save 49,500 tons of coal, reduce greenhouse gas emissions by 81,000 tons, and save customers RMB 60 million in electricity costs over the lifetime of these CFL bulbs.

For education purposes, Wal-Mart China initiated a series of sustainability promotion activities and distributed a total of over 10,000 CFLs to local communities, which helped raise awareness of environmental protection among Chinese consumers.

In stores, CFL bulbs are displayed at eye level for easiest access, with a wide selection of brands available. Wal-Mart China has dedicated increased shelf space to the eco-friendly bulbs and provided educational information on the shelf to allow customers to compare the CFL to normal bulbs and to understand potential savings and environmental benefits.

Building on this momentum, Wal-Mart China set a target to sell 1 million CFL bulbs this year.



Stores and Clubs to Feature Earth-Friendly Products for Earth Month

For the month of April, Wal-Mart stores and Sam's Club locations will feature products that are priced low and are good for the planet. Customers and members will see a wide range of Earth-friendly items – from biodegradable cleaning supplies and compact fluorescent light bulbs to Earth Day T-shirts and Energy Star-certified LCD TVs.

When you are one of 200 million Wal-Mart shoppers, your shopping choices can add up to some amazing things. For example, if every Wal-Mart shopper bought just one bottle of Green Works natural cleaners, we'd eliminate the use of 2.5 million gallons of petroleum solvents. And if every Wal-Mart shopper bought one CFL, the reduction in carbon dioxide emissions would be the same as taking 11 million cars off the road for a year.

These examples are only the tip of the iceberg. The small choices we make when we shop can lead to a brighter future, especially when multiplied by 200 million. These shopping choices don't need to cost more, either. It's easy to buy products that are good for the planet when they are offered at the low prices our customers expect.

These are some of the items you'll find in stores/clubs in April.



Coca-Cola Drink 2 Wear T-shirts are made from 52% cotton and 48% recycled plastic bottles.



2X Ultra Tide Coldwater liquid laundry detergent is concentrated, so it takes less packaging. And it works better in cold water than most other detergents work in warm water, which saves on the cost of heating water for your laundry.

And a few others that are not pictured:

- Seafood that's certified by the Marine Stewardship Council, so you know it comes from fisheries that have strict environmental standards.
- Wood furniture that's certified by the Forest Stewardship Council, which ensures the highest environmental, social, and economic standards in forest management are used.

A few of the items that will be featured at Sam's Club in April include:

Coffee with a Cause: Sam's Club offers a collection of premium whole bean coffees that include Fair Trade Certified, Rainforest Alliance Certified, and USDA Organic. Member's Mark by Marques de Paiva Estate Blend coffees are dedicated to supporting environmentally sustainable farming practices which are good for the environment and the people who live there.

Go for a natural clean! Simple Green is a biodegradable cleaner that is great for floors, counter tops, sinks, etc.

Associates, customers and members can become part of a brighter future and save money at the same time. Celebrate Earth Month with us in the store and club – together, we can make a better world!

Wal-Mart Partners with the National Governors Association to “Green” State Capitols

Wal-Mart Stores, Inc., and the National Governors Association announced in February the formation of the “Greening State Capitols” partnership. The unique public-private partnership between NGA and Wal-Mart will offer energy audits of capitol complexes and provide recommendations on efficiency improvements and estimates of how much energy and money each state can save.

“Wal-Mart is committed to sharing what we learn about reducing energy use and increasing building efficiencies,” said Leslie Dach, executive vice president of corporate affairs and government relations for Wal-Mart Stores, Inc. “By working with the NGA in a collaborative manner we can help accelerate the deployment of new technologies and best practices while saving states money and protecting the environment.”

“State and local governments spend more than \$11 billion on energy every year and those costs are growing rapidly,” said Minnesota Governor Tim Pawlenty, chairman of the National Governors Association. “States need to lead by example and the NGA is excited to partner with Wal-Mart and use its expertise to improve energy efficiency and save money at state capitol buildings across the nation.”

During a two-day auditing process, Wal-Mart will send a team of engineering experts to survey the state capitol facilities and suggest energy efficiency improvements based on technologies Wal-Mart has successfully deployed in many stores, clubs and other facilities around the world. The areas covered by the audit will include:

- Lighting;
- Heating, ventilation and air-conditioning systems (HVAC);
- Refrigeration and other equipment;
- Technologies such as programmable thermostats; and
- Building structure, including insulation and windows.

Following the initial audit, the engineers will produce a report with recommended energy efficiency improvements and estimated costs to the state, as well as the potential energy savings and carbon dioxide reductions. Wal-Mart will only recommend technologies with a return on investment within five years, unless a state specifically asks for a different time frame. At a state’s request, Wal-Mart will use its procurement capabilities to attract bids from interested companies and facilitate installation of the recommended technologies.

The National Governors Association will help identify and recruit state participants. Once a state is selected, it will identify a team of four to five experts to assist in the energy audit and implement the resulting recommendations. Within one year of the audits completion, participating states are asked to provide the NGA Center for Best Practices with a two page report of actions taken and resulting savings. NGA will catalogue these results for distribution.

Wal-Mart Opens Its Most Energy Efficient U.S. Retail Store

In March 2008, Wal-Mart Stores, Inc. opened its HE.5 prototype in Las Vegas, Nev. The HE.5 is a western climate-specific store that is up to 45 percent more energy efficient than the baseline Supercenter. The store is part of Wal-Mart's high efficiency series of HE.1, HE.2 and HE.5 prototypes that incorporate many years of research, experiments, partnerships and pilots, and will ultimately become Wal-Mart's stores of the future.

Building upon learnings from the HE.1 and HE.2 stores that Wal-Mart opened in 2007 and 2008 respectively, the HE.5 begins a new series of prototypes designed for specific climates. The HE.5 is western climate-specific, meaning the efficiency gains are made possible by innovations designed for the unique conditions of the region. Specifically, the HE.5 includes new evaporative cooling and radiant flooring technologies that together provide a cool, comfortable shopping environment while using less energy. Additionally, the stores include all of the industry-leading technologies currently being installed in new Wal-Mart Supercenters, such as white roofs, daylight harvesting systems, light-emitting diodes (LEDs) in grocery cases and highly efficient bathroom fixtures.

Given the climate-specific nature of the HE.5 store, this prototype will only be built in regions where its innovations can provide the greatest benefit. Additionally, because most of the pioneering technologies are housed on the roof and within the walls, floor and ceiling of the building, the HE.5 store will look and feel much like a typical Wal-Mart Supercenter.

Wal-Mart is working to stay on the leading edge of sustainable building practices and is committed to openly sharing its learnings with the retail industry and the world. Increasing the efficiency of its stores is just one more way Wal-Mart is moving toward its goal to open a viable prototype that is 25 to 30 percent more efficient by 2009.

The HE.5 store features advancements in heating, cooling, refrigeration and lighting to conserve up to 45 percent more energy than the baseline Wal-Mart Supercenter and reduces refrigerant use by 90 percent. These technologies include:

Indirect Evaporative Cooling: The new indirect evaporative cooling system cools water naturally by pumping it through roof-mounted towers and then running the cold water underneath the retail floor to cool the shopping area.



Cooling towers

Radiant Flooring: Most retail buildings use heating, ventilating and air conditioning (HVAC) units located throughout the store to cool the ambient air. With Wal-Mart's radiant floor system, cold water is circulated underneath the sales floor, cooling the ambient air closest to customers as it floats upwards. The radiant floor is much more efficient than a conventional air-cooled system and significantly reduces maintenance costs.

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Wal-Mart Opens Its Most Energy Efficient U.S. Retail Store

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Integrated water-source format refrigeration system: All of Wal-Mart's high-efficiency stores contain 100 percent integrated, water-source format heating, cooling and refrigeration systems that reclaim waste energy from the refrigeration units. This, as with the HE.2 projects, utilizes a medium temperature, secondary loop system driven by a modular chiller concept that both improves overall system efficiency and reduces the refrigerant charge by 90 percent.

LED motion-sensing case lighting: All of Wal-Mart's high efficiency stores contain motion-activated sensors in LED lighted cases, illuminating merchandise as customers approach and conserving energy when shoppers are not nearby. LEDs with motion sensors use 70 percent less energy than industry standard fluorescent bulbs and can lower a Supercenter's overall energy use by approximately three percent. The total energy savings for LED lighting with motion sensors is more than 120,000 kWh per year, enough energy to power 11.5 single family homes (11,020 kWh average annual usage) for an entire year.



Water conservation in restrooms: Restroom sinks in newly constructed Wal-Mart stores contain sensor-activated 1/2 gallon per minute high efficiency faucets, reducing water usage by 78 percent compared to currently mandated 1992 EPA standards. In newly constructed stores and Sam's Clubs, Wal-Mart also installs high efficiency urinals that yield an 87 percent reduction in water usage and low-flow toilets that yield a 20 percent reduction in water usage. Water turbines are also built into each faucet and similar turbines are in the automatic toilet flush valves. During use, water flowing through the turbines generates the electricity needed to operate the sensors.

Schools to Compete in Business Plan Competition

Teams from nine colleges and universities to pitch their best sustainable business plan

Teams from nine business schools will vie for \$20,000 prize money in the inaugural Better Living Business Plan Challenge. The team with the best business plan for an Earth-friendly product or service wins.

The Better Living Business Plan Challenge takes place Friday, April 18. The semifinals will be held that morning at the Embassy Suites on Pinnacle Hills Parkway. The top two teams will advance to the finals, which take place in the Home Office auditorium from 2:30 to 3:30 p.m. Home Office associates are invited to attend.

The participating schools are Arizona State University, the University of Arkansas, Babson College, Dartmouth College, Imperial College London, University of Michigan, Rensselaer Polytechnic Institute (RPI), Stanford University, and Stillman College. The event is hosted by the University of Arkansas Applied Sustainability Center. The final competition April 18 would be a great opportunity for local alumni from these schools to come cheer on their teams!

The judges for the semifinals will be Roger S. Ballentine, president, Green Strategies, Inc.; Rob Bray, senior vice president, Real Estate, Wal-Mart; Steve Feldstein, senior vice president, Fox Home Entertainment; Jason Kidd, vice president and division merchandise manager, Sam's Club; Matt Kistler, senior vice president, Sustainability, Wal-Mart; Alex Perrera, World Resources Institute; Mary Shields, president, BP Solar; and Elizabeth Sturken, Environmental Defense Fund.

The finals will be judged by Lee Scott, CEO, Wal-Mart Stores, Inc.; John Fleming, executive vice president, Merchandise, Wal-Mart; Greg Spragg, executive vice president, Merchandise, Sam's Club; and Eric Zorn, executive vice president, Wal-Mart Realty Co.

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Jim Stanway, senior director, Global Supply Chain Initiative at Wal-Mart, is hoping this event will be the first of many annual challenges to see which school has the best plan for advancing sustainability in business. He noted that several business schools contacted him with interest in this year's competition, but he needed to turn them away. Next year's Better Living Business Plan Challenge promises to be much larger.