

Remarks as Prepared for Delivery
Mike Duke, Vice Chairman, Wal-Mart Stores, Inc.
China Sustainability Summit
October 22, 2008

Vice Minister Zhang, Vice Minister Jiang, distinguished guests, ladies and gentlemen... on behalf of Wal-Mart, welcome.

It's an honor to be with you today.

Let me first say how much I appreciate everyone for participating in this summit.

It's remarkable to look out on a thousand people and see the breadth of support for an effort that is just beginning.

This is very exciting. It's also very encouraging that so many of you chose to be here in spite of the difficult economic environment.

Achieving the goals that we lay out today is going to require a common commitment.

It's going to take even stronger and deeper relationships. And it's going to take all of us working together.

It's great to be back in China.

I was just here a few months ago. And while I was here, I had the opportunity to spend some time doing what I enjoy most about my job at Wal-Mart. I visited customers in their homes...seeing how they live and how they use our products in their everyday lives.

Of everything I saw and heard, one theme came up again and again. And that was "trust."

When I asked these customers *why* they shop at Wal-Mart, they told me that it's their trust in the products we sell.

Yes, we need to deliver products that our customers can count on. But increasingly, it's also about being a company that people trust to take on the challenges facing their lives and our world.

What this means for Wal-Mart is that our mission of "saving people money so they can live better" starts with low prices...but it doesn't end there.

It extends to being a leader in how we take care of our world. It means that Wal-Mart and our supplier partners must operate in a more socially and environmentally responsible way wherever we do business.

Earlier this year, Lee Scott laid out a vision to become a more environmentally responsible retailer in China...and to set new standards for responsible sourcing throughout the entire global supply chain.

There is no better place for that vision to take root than here in China.

This country is home to the world's largest population, has a dynamic economy, and is a vibrant manufacturing hub.

But perhaps most important to our summit today is a Chinese government that has made sustainability a top priority.

We at Wal-Mart are also committed to being a leader on sustainability. We want to work with China toward a more harmonious future, turning ordinary development into "scientific development," consistent with the direction President Hu has set.

Today, we will announce a series of steps to move us forward on our journey to becoming a more sustainable company and we ask all of you to join us.

We have three objectives:

First, to build an environmentally and socially responsible supply chain.

Second, to make our stores more sustainable through more efficient use of water and energy.

And, third, to bring our customers here in China and around the world products that are more sustainable -- how they are made, how they are packaged and how they are used.

Later today, Lee will share his expectations for these goals. And shortly, Ed will share what this means for his stores, his suppliers and his customers. But right now, I would like to spend a few minutes on the first goal—building an environmentally and socially responsible supply chain.

A supply chain where goods are made in a way that protects our planet, where customers feel good about the safety, quality and durability of the products they buy, and where workers are paid well and treated well with the respect and dignity they deserve.

To achieve this, we are expecting more of ourselves at Wal-Mart, and expecting more of our suppliers.

I know that these are tough times to be asking more of you. And to some, this meeting may seem like a distraction from more pressing issues. But we have found that expecting more of ourselves has made us a better business and it will make you a better business also.

With that in mind, I want to share some of our expectations with you now.

First, we will require all our suppliers here to clearly demonstrate their compliance with Chinese environmental laws and regulations.

China's commitment to environmental sustainability is clear, and the laws on the books reflect that. Where improvement is needed is in the area of compliance. We have heard this over and over from NGOs and experts here on the ground.

At Wal-Mart, we have always held ourselves accountable to local laws... wherever we operate. And we have expected our suppliers to do the same.

Today, we will take that a step further. We are not just requesting compliance. We are requiring our suppliers to demonstrate compliance.

We have created a new supplier agreement that will require factories to certify compliance with the laws where they operate as well as rigorous social and environmental standards.

Three months from now, we will start here in China with suppliers who export to the U.S., the U.K. and Canada.

Three months after that, we will expand the requirement to suppliers located all over the world who ship to these three countries.

And over the next three years, suppliers to all of our retail markets will be required to sign this agreement.

Suppliers will need to take ownership of compliance in their factories. They will need to demonstrate that they are rigorously auditing their own factories. Wal-Mart will step-up and strengthen our own random audits. And we will require suppliers to allow third party audits as well.

Our audits will now include a focus on specific environmental criteria—including a factory's air emissions, its wastewater, discharges, and its management of toxic substances and hazardous, waste disposal.

If a factory fails to meet our standards, we will work with that factory on a remediation plan.

We will work with partners to share knowledge, provide more training, and bring in local and regional stakeholders to help develop responsible practices.

But make no mistake, if, after a period of time, a factory fails to improve, Wal-Mart will move our business to suppliers who *do comply* and who *do improve*.

Now second... we will partner with our suppliers here in China to help them become more energy efficient and reduce their use of natural resources.

Over the last few years, we have worked to reduce the footprint of our stores and buildings. Today, we are asking you--our suppliers--to do the same with your factories.

By 2012, our goal is for the top 200 factories we source from directly in China to achieve 20 percent greater energy efficiency.

Let me emphasize that here, partnerships with government and NGOs will be critical.

Helping Chinese factories become more efficient and innovative has been a key priority for the Ministry of Science and Technology.

And in our discussions with them, with other government agencies and with NGOs, we are finding a reservoir of expertise on innovative solutions.

Third, when it comes to the products we sell, we will expect even higher standards for safety and quality.

As I mentioned, our customers trust that Wal-Mart is a place where they will find top-quality products—whether it's a kitchen table that will stand the test of time or food they feel good about feeding to their family. That trust is a testament to the suppliers we have worked with over the years.

Today, we are asking suppliers to take those standards to an even higher level.

Our aim is to drive returns on defective merchandise virtually out of existence by 2012.

And, lastly, we will require greater transparency and ownership from our supplier partners.

We will require all direct import suppliers plus all suppliers of private label and non-branded products to tell us the name and location of every factory they use to make the products we sell.

We will begin this process in November in the area of apparel and will then move forward with a phased-in approach for home, toys and other product categories.

By the end of 2009, we expect the roll-out to all of our merchandise to be complete.

What exactly will this mean?

It will mean that if you sell us tennis shoes, we expect you to know—and we expect you to tell us—not just where the tennis shoes were assembled, but which sub-contractors played a role in making them. And if there is an issue with those shoes, we expect you to have the answers and to take ownership over getting to the root of the problem.

Essentially, we expect you to ask the tough questions, to give us the answers and, if there's a problem, to own the solution.

Now, while I've talked a lot about compliance today, our vision for our relationship with suppliers really is to move beyond compliance.

By 2012, our objective will be for all suppliers we buy from directly to source 95 percent of their production from factories that receive the highest ratings in our audits.

These are factories that provide safe and healthy working conditions... that offer fair compensation ...and that meet their environmental obligations.

Over time, we will build the strongest and most enduring relationships with those suppliers who reach for the highest standards.

And to help you do that we are working through CIES with other major retailers and brands around the world to define a set of global standards and audit protocols by which we will hold our suppliers accountable...and most importantly, by which we expect you to hold yourselves accountable.

As we have learned in our own sustainability journey—we may not always know how to get where we need to be, but when we ask ourselves the right questions, the right answers will follow.

Responsible sourcing relies on all of us—buyers and suppliers alike—asking the tough questions of ourselves...our employees, our sub-contractors, and throughout the supply chain.

And let me assure you, if we don't pose these questions, our customers will. In the age of YouTube, social networks and bloggers, there is no trust without transparency and ownership.

Over the last three years, many of you in this room have been a part of our commitment to becoming a more sustainable company.

You've helped us meet the demand for more sustainable products, to reduce packaging ...and throughout it all...to accelerate change in the global supply chain.

I know this hasn't been easy for you. And I know what we have asked of you today won't be any easier.

Business everywhere is under pressure. Many of the suppliers in this room probably have customers who are cutting back on orders. And you may be thinking that the last thing you need is for Wal-Mart to come to you and raise expectations for meeting social and environmental standards.

But we view you as partners. We recognize and appreciate that you are here today. And we view your participation in this effort as a long-term commitment to our relationship.

As Wal-Mart continues to grow and become a better and more sustainable business, those suppliers who partner with us in building a responsible supply chain will be the suppliers that will grow with us. And you too will become a better and more sustainable business.

Reducing waste, being more efficient, and doing the right things the right way will lower costs for your factories, for your businesses and, ultimately, for the Wal-Mart customer.

That will be good for you and for Wal-Mart. It will also be good for your other customers, your employees, your communities and the planet.

In the end, even though it may not be the easiest way forward, it most certainly will be the most rewarding for all of us and everyone and everything we touch.

Thank you.

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