



Sustainability, Supply Chains & Collaboration: The Expanding Impact of Walmart & Retailer Initiatives

Bob Kerr
Pure Strategies, Inc.

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Solutions for a Sustainable Future

Global Sustainability Milestone Meeting September 13, 2012





European Environment Agency



Chinese Chemical Inventory Search



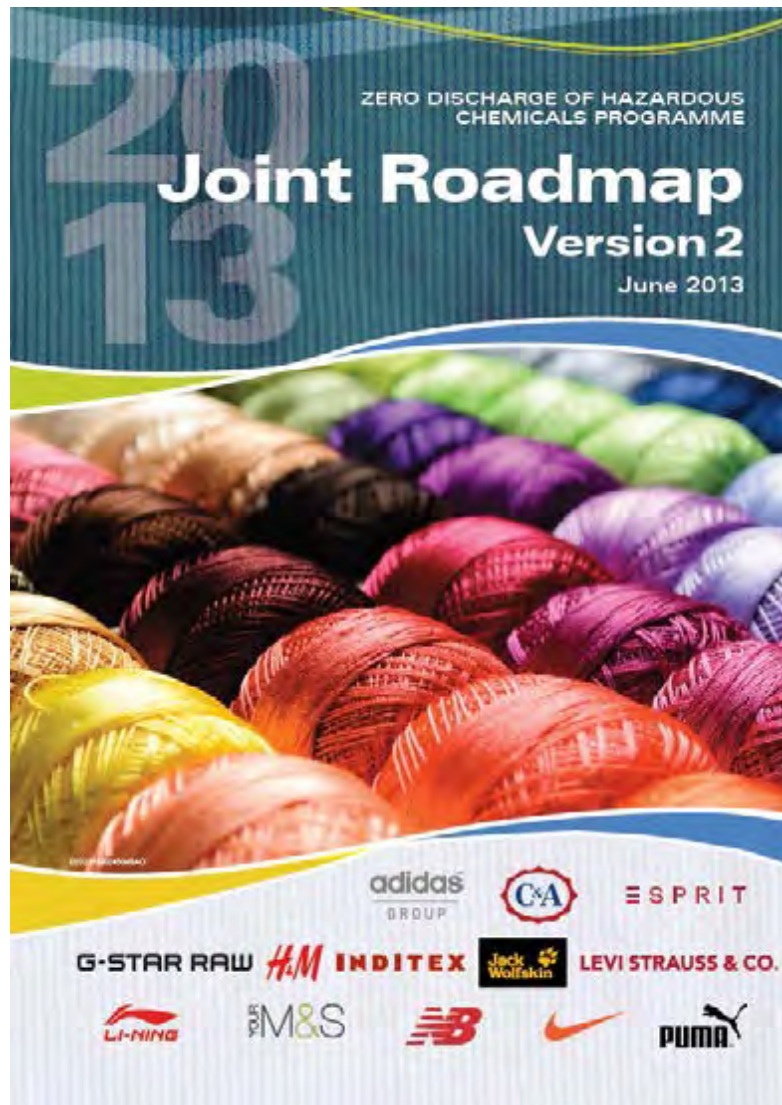
we wear intelligence



restricted substances list (RSL)

March 2013 | Twelfth Edition





A high-quality, foam soap that is 99.9

Drug Facts	
Active ingredient	
Triclosan, 0.30%.....	
Uses ■ For hand washing to reduce b	
Warnings	



P&G

Johnson & Johnson

TESCO

Green products that
will save you money...



Carbon Labeling at Tesco

Sustainably sourced fish at

Greener packaging

LEVI STRAUSS & CO.

NRDC Responsible Sourcing Initiative

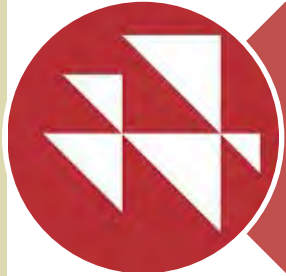




Plan A: Sustainability
attributes in ½
products sold by 2015



Corporate Disclosure



CDP – Carbon Disclosure Project

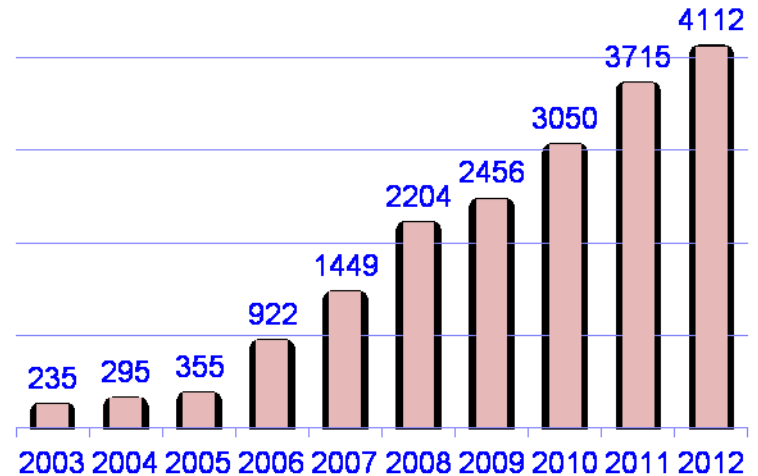


GRI – Global Reporting Initiative



The Sustainability Index

CDP Reporting Companies have nearly doubled since 2008¹



Companies Publically Reporting at Least One Environmental Metric increased 71% from 2007-2011²



THE SUSTAINABILITY CONSORTIUM



The Ultimate Sustainability Index



TSC's membership includes the world's most recognized companies representing about \$1.5 trillion in revenue...

Tier 1 Members - Asterisk denotes founding members



Source: www.sustainabilityconsortium.org/members

TSC's membership includes the world's most recognized companies representing about \$1.5 trillion in revenue...

Tier 2 Members



CSOs and Government



g/members



TSC Industry Categories



Product Life Cycle Hot Spots

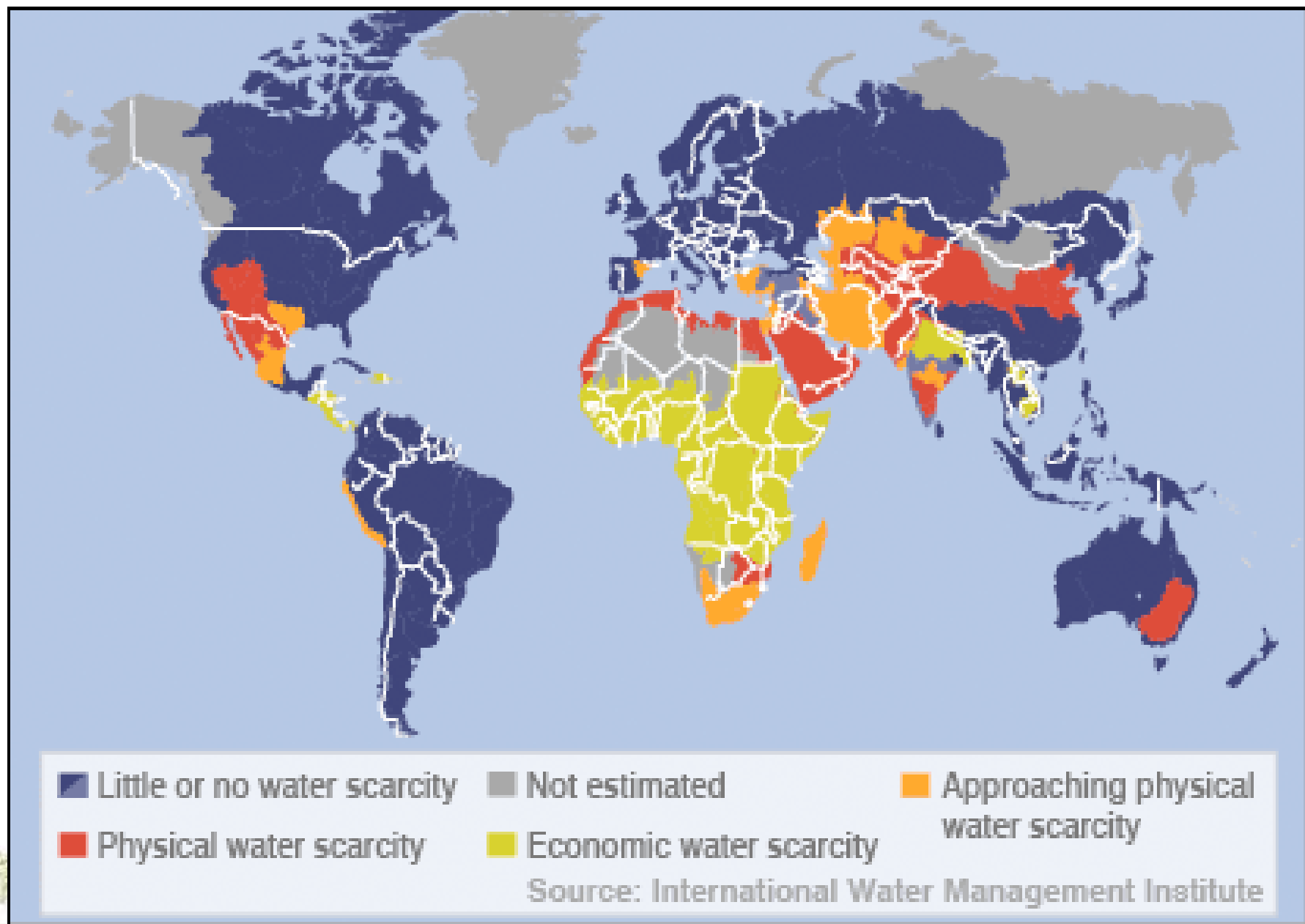
- Energy & Climate
- Materials & Resources
- Ecosystems & Human Health
- People & Community

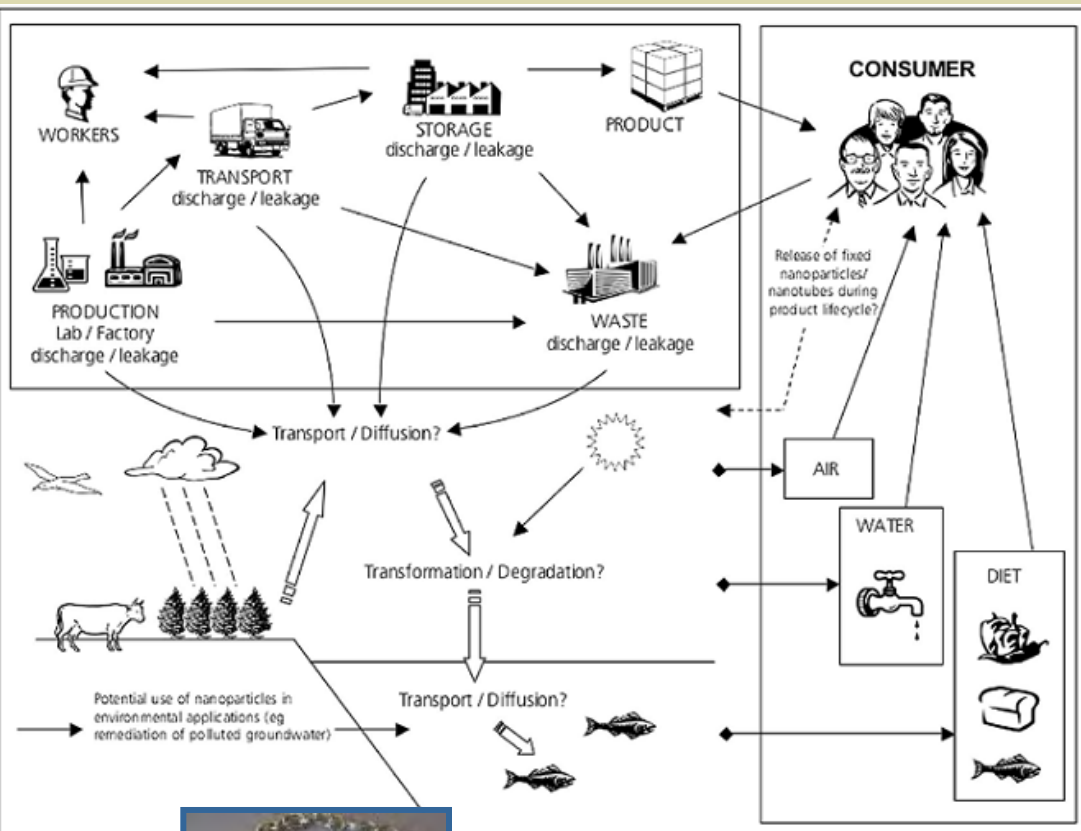
Atmospheric CO₂

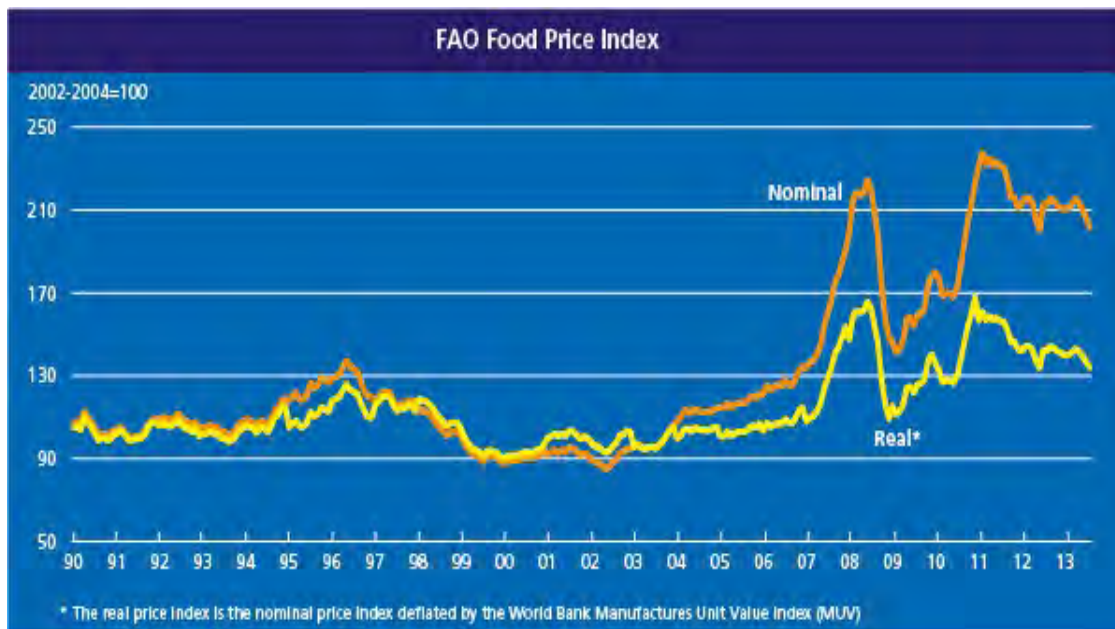
December 1958 - December 2012

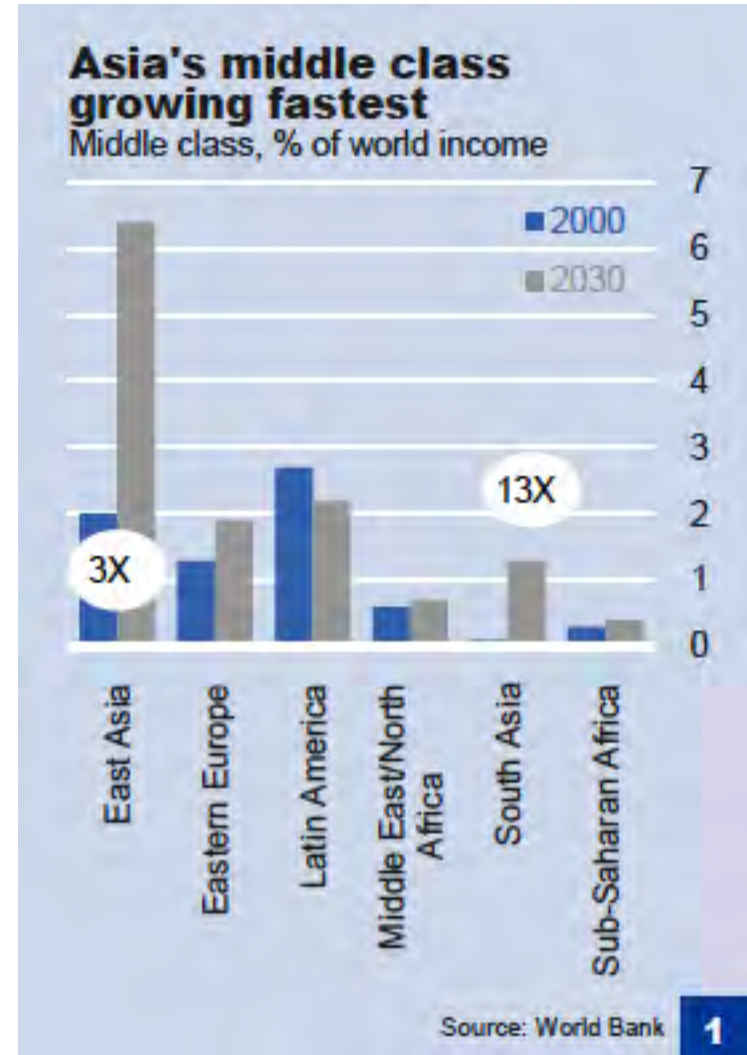
November CO₂ | Year Over Year | Mauna Loa Observatory
Data: Scripps Institution of Oceanography











Sustainability Index: Core Components

Align and Standardize



The Sustainability Consortium

- Science and Standards: Full Life Cycle
- Industry Alignment
- Stakeholder Engagement
- External Credibility

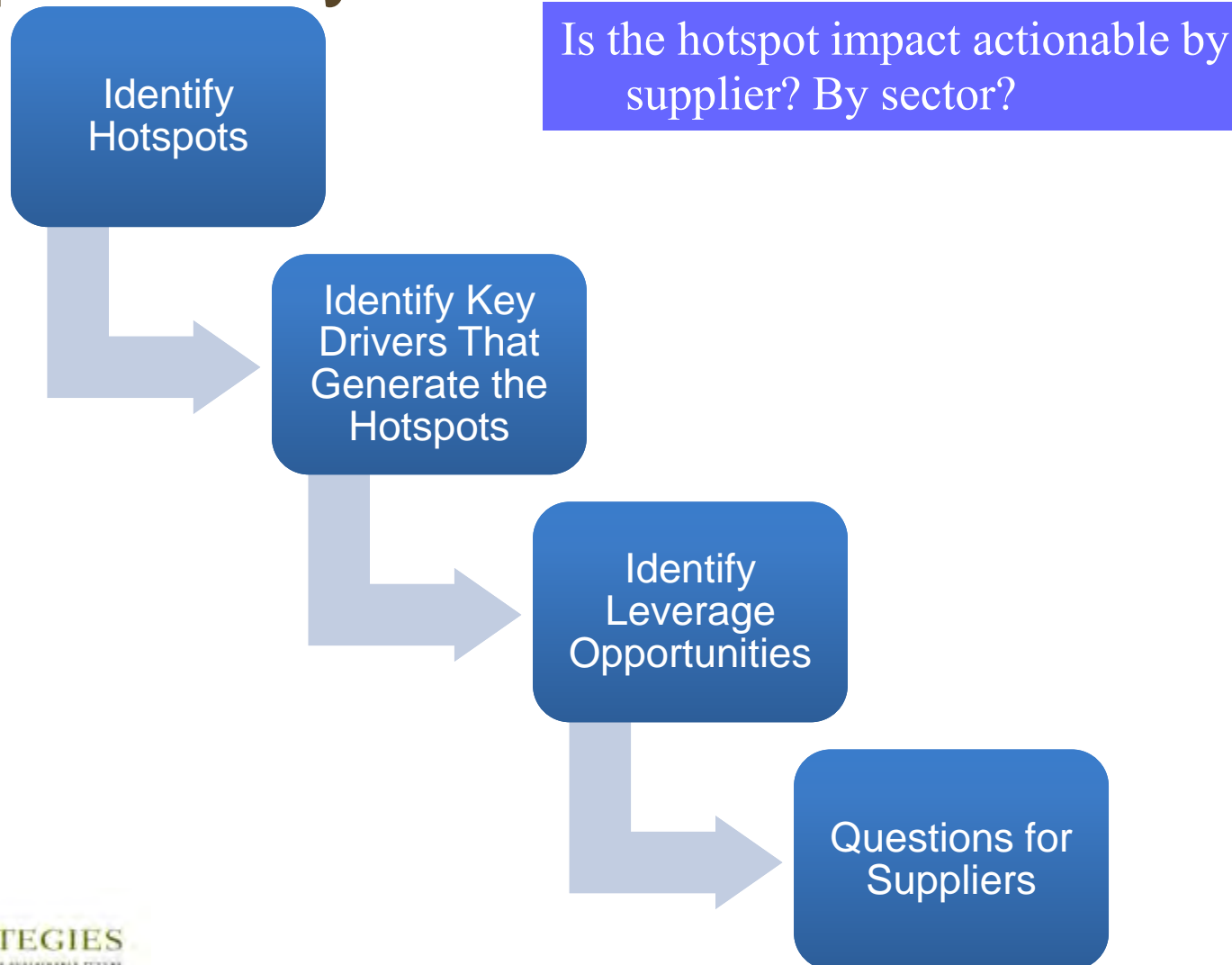
Integrate and Act



Category Live Better Scorecards

- Supplier Metrics on reducing hotspots
- Category Metrics
- Incentives
- Training

Hotspot Analysis & Assessment

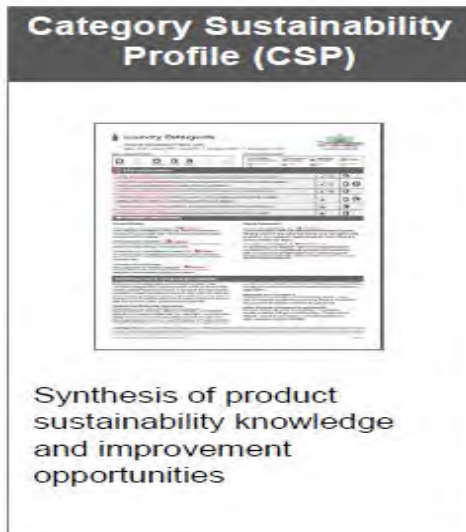


From Research to Assessment to Tool for Buyer

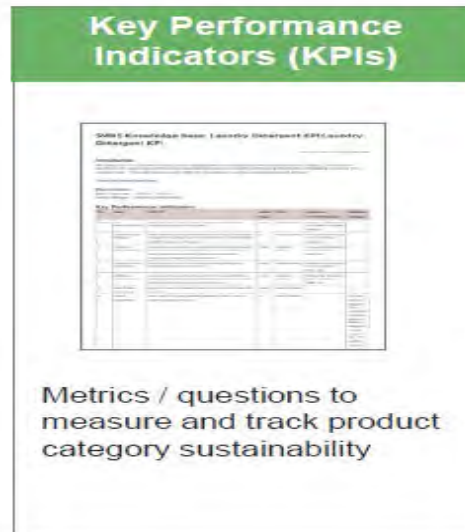


Developed by TSC

Managed by Walmart



- Simple 2-3 pg document
- Summarizes category sustainability hotspots and improvement opportunities



- KPIs are questions to measure/assess supplier performance
- Scorecard results are calculated based on supplier answers to the category KPI questions



- Supplier score
- Category average
- Supplier relative ranking – red, yellow, green
- Key improvement opportunities

Category Summary

Completion Date: September 14, 2012

Product Category: Plastic Toys

Included Products: Non-powered children's toys made out of molded plastic including: action figures, figurines, fashion

Excluded Products: Motorized toys, battery powered toys, plush toys, fabric toys

Category Assessment Score

Number of Category Responses: 69

Category Score: 33%

33%

Sustainability Dimension Scores

Energy & Climate

17%+

Materials & Resources

28%+

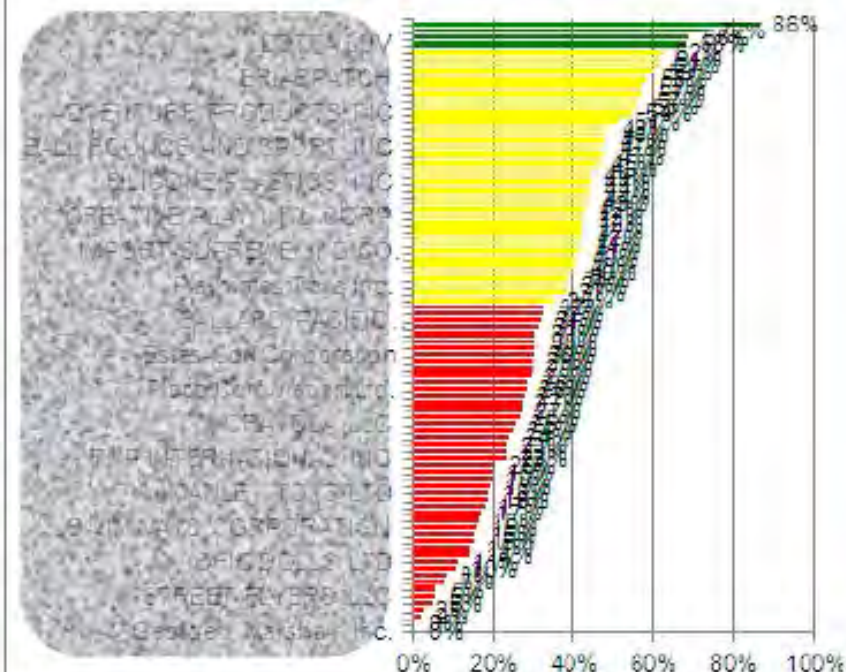
Ecosystems & Human Health

36%+

People & Community

51%+

Category Rank Detail



Category Improvement Opportunities

No.	Question	Dimensions	Improvement
2	Does your company engage with its suppliers on initiatives to improve the energy efficiency of toy manufacturing?	<ul style="list-style-type: none"> Energy & Climate Materials & Resources Ecosystems & Human Health 	13.1%
6	What percent of virgin fiber in your fiber-based packaging is sourced in accordance with a credible certification system that addresses ecosystem impacts and biodiversity?	<ul style="list-style-type: none"> Materials & Resources Ecosystems & Human Health 	8.4%
8	What actions does your company take with regards to chemicals of concern in your packaging materials?	<ul style="list-style-type: none"> Ecosystems & Human Health 	6.8%
3	What actions does your company take with regards to chemicals of concern in your products and processes?	<ul style="list-style-type: none"> Ecosystems & Human Health 	6.7%
1	What is your organization's approach to managing PVC within your supply chain?	<ul style="list-style-type: none"> People & Community 	2.6%

Integrate Into the Business

Make it Part of Being Merchant



Processes



Tools



Training

Broad
Rollout



Strong
Participation

- TSC Batch 1 & 2 → 190 Walmart Categories
- Buyers in Walmart US, Sam's, .COM and Walmart Canada

- 1000+ suppliers responded
- ~70% of sales across 190 categories

- During winter 2013-2014, increase to
 - 300 Walmart categories
 - 5,000 participating suppliers
- By 2017, buy 70% of goods sold in U.S. only from suppliers who use Index





Water Scarcity



Price Volatility

Moderate to excessive drought has spread across 63% of the US. Soybean bushel pricing hit \$16.915 on July 23, setting a record high. Corn reached an all-time high of \$8.205 on July 31. Source: Bloomberg



Product Content



Supply Chain Risk

Toy manufacturers have recalled millions of products for lead and cadmium content which are toxic to children. Traceability will become increasingly important to avoid risks



Energy Efficiency



EDLC

Energy accounts for 15% of supplier COGS & up to 40% of volatility in costs. In the US, lower-to-middle income families spend 25-75% of after tax income on energy. Source: IEA World Energy Outlook 2002

Productivity Loop – Walmart's Engine





- 1) Reduce grain fertilizer use
- 2) Beef suppliers to adopt quality assurance standards
- 3) Sustainable olive & soybean oil sourcing (Chile)
- 4) Recycling & reusing plastic
- 5) Reduce hazardous chemicals in personal & home care products
- 6) Reduce energy/water use in apparel manufacture; increase recycled fibers
- 7) New emphasis on low-cost LED light bulbs
- 8) Reduce manufacturing energy & increase recycled plastics in toys
- 9) South Africa: sustainable palm oil & seafood

Policy on Sustainable Chemistry in Consumables

- On-line public ingredient disclosure – 2015
- 10 priority chemical ingredients
- Private brand cleaning products labeled according to EPA-DfE standards - 2014
- Products still containing priority chemical ingredients must label on pack - 2018



Recycling Plastics

- Work with municipalities, waste haulers to improve collection
- Work with suppliers to increase both recycled plastic use and design-for-recyclability of products & packaging



Fertilizer Project

- Walmart goal – reduce 20MMT of Greenhouse gasses
 - 90% of opportunity in supply chain
 - 45% of that in fertilizers
- High cost for farmers
- Partnering with suppliers & EDF to pilot/ implement farming with reduced fertilizer use

One Index to Rate Them All?

science

for a new generation of products and supply chains
that address today's sustainability imperatives.



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