

Ethical Standards Program

Wal-Mart established its Standards for Suppliers, our code of conduct, in 1992. The standards pertain to matters such as compensation, underage labor, and health and safety. Wal-Mart's standards can be found on our website at www.walmartstores.com/ethicalstandards. The Ethical Standards Program was established and exists to verify suppliers' compliance with the standards, to strengthen the implementation of positive labor and environmental practices in factories producing merchandise for sale by Wal-Mart, and to bring opportunities for a better life in the countries where merchandise for Wal-Mart is sourced. Our program vision is "sourcing ethically through a socially responsible program."

Program Highlights

Ethical Standards' program highlights include:

- Wal-Mart audits more factories than any other company in the world. 16,700 audits were conducted in 8,873 factories during 2006. Of the audits conducted, 26% were unannounced. Audits are conducted by Ethical Standards Auditors and approved third party service providers.
- Lorem ipsum: **5,000 suppliers and factory management personnel attended training sessions on the Ethical Standards Program and best practices in the industry during 2006.** Sessions were held at least once in each of the five regions where Ethical Standards operates: Southeast Asia; the Indian Subcontinent; the Far East; the Americas; and the Middle East, Africa, and Europe.
- Wal-Mart's policy is to work with our suppliers to correct violations of Wal-Mart's standards found in factories. We identify at-risk factories and invite the suppliers and their factory management to meet with members of the Ethical Standards and merchandising teams. The meetings center on actionable steps that can be taken to improve areas of concern. **For example, in the Middle East, Africa, and Europe region, meetings were held with eight targeted suppliers and factory management, and at the end of 2006, all eight targeted suppliers showed substantial improvement, with six achieving our highest audit rating.**
- Stakeholder engagement is a core part of the Ethical Standards Program. We believe it is vital to learn from the expertise of others and apply the learning to strengthen our efforts. We also believe that more can be accomplished when stakeholders collaborate together and work toward resolution of a complex problem than for each party to tackle the problem in isolation. **Stakeholder engagement has allowed Wal-Mart and industry stakeholders to build a degree of trust with one another and to begin to work collaboratively on issues regarding labor and environmental practices in factories.** We value the opportunity for productive dialogue and work with stakeholders, and we look forward to continuing collaborative interaction.
- Wal-Mart has been working collaboratively with industry peers to form the **Global Social Compliance Program (GSCP)**, an initiative designed to promote uniform and acceptable working conditions at the highest standards for global sourcing. GSCP is dedicated to providing a holistic approach, including both factory monitoring and capacity building. The work is being facilitated by Comité International d'Entreprises à Succursales (CIES – International Committee of Food Retail Chains), an international association of food retailers and brand owners. However, GSCP covers both food and non-food production for retailers and brand owners. Governance structures are being put into place that will increase transparency and engagement with stakeholders, such as nongovernmental organizations and multilateral organizations.
- Wal-Mart's International Giving Program was established by Ethical Standards and the Wal-Mart Foundation to strengthen the communities where Wal-Mart merchandise is sourced and sold. Specifically, the program awards grants to sustainable community projects administered by non-profit organizations. **The first grant was awarded to The Asia Foundation in 2006 for a scholarship program for migrant women workers in the Guangdong Province of China.**

- As part of Wal-Mart's global sustainability initiatives, the Ethical Standards Program expanded in 2006 to give consideration to the following items when auditing a factory: **waste identification, waste handling and disposal, wastewater treatment and discharge, air emissions and the use of banned substances.** Auditors discuss environmental findings with factory management as part of our efforts to educate factory management on the new criteria and on environmental sustainability. Environmental training is also now included in group training sessions for new and existing suppliers.
- The Ethical Standards team is working closely with Wal-Mart's Sustainable Value Networks to promote sustainability in Wal-Mart's supply chain. We have begun the **Model Factory Program** to identify and implement sustainable and cost-effective practices in 20 factories in China. We look forward to share learning from the program in the future.
- Ethical Standards has also begun the **Factory Five Program.** The program serves as a forum in which factory management (from five factories per region) regularly meet with suppliers and the Ethical Standards team. Time is spent identifying and resolving complex issues of noncompliance identified by factory management.

For more information about Wal-Mart's Ethical Standards Program,
please visit www.walmartstores.com/ethicalstandards.