



Ethical Sourcing Update

Fact Sheet for Supplier Letter Announcement

Overall Mission

- At Walmart, we are committed to value chains that empower the people who work in them, and the families that are supported by them, to live better.
- Our dedication to responsible sourcing includes both raising our own standards and partnering with other stakeholders to improve the standards and opportunity for workers across the industry.

Supplier Letter Introduction

- The fire and tragic loss of life at the Tazreen factory in Bangladesh have highlighted a number of additional opportunities to improve the safety of our global supply chains.
- With this letter, Walmart is initiating the implementation a new industry-leading standard for factory health and safety initiatives.
- Our objective is to work with like minded companies to raise the bar for the entire industry. We recently shared the new policy with NGOs, companies, and government officials to get their feedback and direction.
- We are distributing this letter to all suppliers globally to inform them of a new zero-tolerance policy for unauthorized subcontracting, as well as related ethical sourcing program enhancements.
- These new policies are designed to strengthen compliance of important safety standards.
- These are the first steps of many as we work to create more transparent and productive supply chains that increase opportunity for those who work in them. We believe that higher standards will result in stronger manufacturing industries.

Supplier Letter Details

- **Walmart is reaffirming and strengthening its zero tolerance policy for unauthorized subcontracting.**
 - This includes any undisclosed subcontracting conducted with or without the supplier's knowledge by agents, third-party facilities or any other entity within the supplier's supply chain.
 - Suppliers are responsible to communicate our Ethical Sourcing requirements to all entities within the supplier's supply chain.
 - In addition, any facilities subcontracting sourcing of Walmart merchandise to an undisclosed or unauthorized facility will be classified as "Red-Failed" in our system and may be permanently barred from sourcing merchandise to Walmart for all retail markets.
- **New facilities will be required to be prequalified prior to being made active.**
 - Newly disclosed facilities will now be required to prequalify with a "Green" or "Yellow" ethical sourcing audit rating prior to being made active. (Green and Yellow are the two best ratings.)
 - "Orange" rated facilities may no longer be added into a supplier's network. We will be compiling a list of unauthorized/red-failed factories to share with our suppliers, through



RetailLink, and publicly on our corporate website in order to better prevent these factories from entering our supply chain.

- **Suppliers will be required to have a company representative based in-country to ensure compliance.**
 - No later than June 1, 2013, and as allowed by local law and procedures, all suppliers are required to have a company representative, and not just an agent, responsible for ensuring compliance with our Ethical Sourcing requirements stationed in all countries in which the supplier is actively sourcing Walmart product.
 - Frequent, in-person monitoring of the supplier's facilities will be considered an essential element for the supplier's continuation of business with Walmart.

- **We are instituting enhanced fire safety standards in all countries.**
 - We have made several modifications to our protocol for auditing and assessing facilities.
 - Facilities found to have fire safety related violations will have 30 days in which to take corrective action before production is barred.
 - In addition, there is a certain set of safety requirements which may be above and beyond legal requirement(s) that must be implemented and adhered to.
 - Suppliers must work with their facilities to ensure all requirements are being met.

- **We are also strengthening our processes and protocols for fire safety in Bangladesh.**
 - Walmart will initiate a review of active facilities and will require corrective action within 30 days for any fire safety issues identified. Fire safety issues identified in future audits also will require 30 day corrective action.
 - All facilities must go through a mandatory electrical and building safety review provided by a credible independent external certification agency.
 - Production may not begin until after the facility has passed the full Ethical Sourcing prequalification process. Production in a facility that has not been prequalified will be deemed unauthorized subcontracting.
 - While an overall global approach is necessary, there is a need for heightened attention to the risks specifically related to building structure in Bangladesh. A facility that meets one or more of the below Structural Fire Safety Criteria is deemed to be at high risk for fire related incidents and will be assessed as "Red-Unauthorized" and inactivated. A facility assessed as Red-Unauthorized is no longer eligible for Walmart production for any retail market.
 - Structural Fire Safety Criteria to be Deemed High Risk:
 - Residential building converted into factory
 - Facilities in multi-story building with a ground-floor marketplace
 - Facilities in multi-story building shared with other factories/enterprises under separate ownership
 - Facilities with a rooftop that does not meet legal requirements
 - Facilities where there is a residence located within the building
 - Multiple facilities in a compound should be combined into one audit. For facilities in a compound that have not been sourcing for Walmart, suppliers have until April 1, 2013 to work with these in preparation for inclusion in the audit process. If a combined facility refuses to participate in the audit or denies the audit firm access to facilities or documentation upon request, the entire facility will be assessed as Access Denied as per our standard Ethical Sourcing audit protocol. The facility will be inactivated precluding shipment and new order placement.